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TRIP REPORT

A VISIT TO EASTERN EUROPE IN THE WAKE OF THE 27TH SOVIET PARTY CONGRESS AND THE CHERNOBYL NUCLEAR ACCIDENT

(Czechoslovakia, Hungary, Yugoslavia, and Romania)

ON

JUNE 28, 1986

A REPORT

TO THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

BY

SENATOR LARRY PRESSLER

FEBRUARY 1987

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LETTER OF TRANSMITTAL

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC, December 19, 1986.

Hon. CLAIBORNE PELL, *Chairman,*
Hon. RICHARD G. LUGAR, *Ranking Minority Member,*
Senate Committee on Foreign Relations,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN AND SENATOR LUGAR, because of your continuing interest in relations with Eastern Europe, East-West issues and in bilateral issues such as Romania's MFN status, I am transmitting a report on my recent trip to Eastern Europe.

I visited Czechoslovakia, Hungary, Yugoslavia, and Romania from June 28 through July 11, 1986. My wife Harriet accompanied me, and my trip was privately funded. Also accompanying us were Dr. Carol Rae Hansen, professional staff member of the Senate Committee on Foreign Relations, and Mr. Darrell Sawyer of my personal staff. Dr. Hansen drafted this report.

While in Eastern Europe and Yugoslavia, we focused on relations with the U.S.S.R. in the wake of the Soviet Party Congress and the Chernobyl nuclear accident. We also evaluated religious and human rights issues and opportunities for expanded U.S. trade and investment. In Czechoslovakia and in Yugoslavia, we also examined Embassy security needs.

Our visit to Romania revolved around the Most Favored Nation (MFN) issue, and we met exhaustively with religious and human rights activists. We also had extended talks with government officials on the issue.

This was the first trip to Eastern Europe and Yugoslavia by a chairman of the European Affairs Subcommittee in 10 years. Perhaps as a consequence, we were accorded excellent access in each country.

Sincerely,

LARRY PRESSLER,
U.S. Senator.

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My staff and I wish to acknowledge with gratitude the assistance offered by the Bureau of European and Canadian Affairs at the State Department and by the staffs of the U.S. Embassies in Prague, Budapest, Belgrade, and Bucharest in the preparation of this report. They were extremely helpful in checking the accuracy of statistical and other data, as well as in interpreting their political significance. Printed U.S. Government materials were used extensively in preparing this report. The State Department's *Background Notes* series provided useful historical data, and the CIA's *The World Factbook, 1986* provided data for the capsule summaries. Unclassified Embassy reporting and Embassy briefing materials prepared for our visit contributed further information, as did materials prepared by the Foreign Affairs and National Defense section of the Congressional Research Service. *The Department of State Bulletin*, RFE/FRL Research Background Reports, and numerous press reports from major world newspapers were also consulted in developing the background sections of this report.

CZECHOSLOVAKIA

Introduction

Historically, Czechoslovakia is one of the most Western oriented, highly industrialized, and prosperous countries of Eastern Europe. Even after the Communist takeover in 1947, Czechoslovakia maintained a position of economic leadership within the Soviet bloc. Since the Soviet invasion of 1968, which ended a period of democratization and reform, domestic political and economic controls have been tightened and the economy has stagnated. Since 1968, the Husak regime has also closely adhered to the Soviet line in domestic and foreign policy, acting as a principal spokesman for closer integration among the Communist countries and for limiting ties with the West.

The Czechoslovak Socialist Republic is bordered by the two Germanys on the west, Poland on the north, the U.S.S.R. on the east and Hungary and Austria on the south. It is roughly the size of the state of New York and has a population of 15.5 million, of whom some 65% are Czechs, 30% Slovaks and the balance made up of Gypsies, Poles, Germans and Ukrainians. The government structure is officially federal, with the Czech and Slovak republics representing the two component parts. Both the Czech and Slovak people are Slavs and their languages are closely related; both are official languages. Approximately two-thirds of the population is Roman Catholic with most of the balance belonging to Protestant denominations such as the Czech Hussite, Slovak Lutheran and Czech Lutheran.

Capsule Summary

Demography.—Czechoslovakia is approximately the size of New York, with a population of 15,542,000 (July 1986). About 64.3% of the population is Czech; 30.5% Slovak; 3.8% Hungarian; 0.4% German; 0.4% Polish, 0.3% Ukrainian, 0.1% Russian, and 0.2% Jewish and Gypsy. About 77% of the population is Roman Catholic, 20% Protestant, 2% Orthodox, and 1% other.

The Economy.—Czechoslovakia's GNP was $127.9 billion in 1984 (in 1984 dollars), with per capita GNP of $8,280. The GNP real growth rate in 1984 was 2.3%. Czech crops include wheat, rye, oats, corn, barley, potatoes, sugar beets, hogs, cattle and horses. However, the country is a net importer of food products such as meat, wheat, vegetable oils, fresh fruits and vegetables.

Trade.—Czechoslovakia exported $17.393 billion (fob) in 1984. Of this 54.8% was comprised of machinery and equipment; 16.2% manufactured consumer goods; 14.2% fuels, minerals, and metals; 6.7% agricultural and forestry products; and 8.1% other products (1984).

Czechoslovakia conducted approximately 80% of its trade with Communist countries, and approximately 20% with non-Communist countries.

The Military Budget.—The military budget announced for the fiscal year ending December 31, 1985, was 25.7 billion koronas, or 7.5% of the total budget. In 1985, Czechoslovak military specialists faced the dilemma created by the countervailing demands of a stagnating economy, on the one hand, and of alliance burden-sharing, on the other. Pressure to meet the latter obligation was evidenced in the 4.5% jump in military spending from 1984 to 1985.

BACKGROUND

History

The country was formed in 1918 out of the Austro-Hungarian Empire. The Czech lands (Bohemia and Moravia) had been part of Austria for 300 years, while Slovakia had been part of Hungary for a thousand years.

The United States was actively involved in the formation of the country. Thomas Masaryk, the first President, was in the United States for much of 1918 and worked closely with President Woodrow Wilson, who made self-determination by the peoples of the Austro-Hungarian Empire one of his principal post-War aims. Czechoslovakia was the only East European state that remained an effective parliamentary democracy in the 1918–38 period.

In 1938, Nazi Germany forced Czechoslovakia to cede certain German/Czech border areas to Germany, and in 1939 it established its control over the rest of Czechoslovakia. U.S. troops liberated the western fifth of the country from the Nazis, and following the defeat of Germany in May 1945, the democratic Czechoslovak prewar governmental system was re-established. It survived for almost 3 years, although the Communist Party held most of the key positions in the government. The Communists gradually managed to neutralize or silence the anti-Communist forces. In February 1948 the Communists, who had polled 38% of the vote in the

1946 national election and who were participating in the coalition government, staged a coup and established a Soviet-style Communist-regime. The 38% plurality won by the Communists was the highest vote total that a Communist party has ever won anywhere in the world in a free and fair election. Paradoxically, the only government in the region that appeared to fulfill the Yalta declaration on liberated Europe was the 1946 Czechoslovak Government, one that was both pro-Soviet and Communist-dominated.

1968

In early 1968 a new party leadership, headed by Alexander Dubcek, broke sharply with past patterns and strove to create a democratic form of socialism with guaranteed rights of free speech, press, religion, travel and elections. The leadership professed fidelity to the Warsaw Pact, but called for changes in it and in the Council for Mutual Economic Assistance (CEMA)—the Soviet bloc equivalent of the Common Market. Faced with what it considered a threat to its system, the Soviet Union on August 20, 1968 mounted a massive invasion of Czechoslovakia in which all Warsaw Pact nations except Romania participated. The Soviet occupation meant the end of the Dubcek experiment, though he stayed on as party leader until April 1969, when he was replaced by Gustav Husak, who is still in power.

General Secretary Husak justified the invasion, accepted the Brezhnev doctrine of limited sovereignty, avowed that stationing Soviet troops in Czechoslovakia was essential to the security of Czechoslovakia's western borders, and opened the way for integration of the Czechoslovak economy with that of the Soviet Union.

DOMESTIC SITUATION

The Husak leadership maintains tightly centralized control over political and economic life but seems to enjoy little support from a largely apathetic population. The government seeks to limit public discontent by satisfying popular demands for consumer goods, in effect, "pacification by consumption." This policy is becoming more difficult to sustain in a period of economic stagnation. The government also wages a losing battle for legitimacy, which was stripped from it by the Soviet invasion of 1968.

THE ECONOMY

The Czech lands were the most industrialized area in the Austro-Hungarian Empire, and further progress was made in the years between the two World Wars. Following the Communist takeover in 1948, the Czechoslovak industrial plant was over-exploited and it eventually became run-down and somewhat obsolescent. In addition, there has been little incentive for innovation and initiative under the constraints of a centrally planned economy. The economy was stagnant during the first years of the eighties, with zero to negative growth in 1981 and 1982. Along with Poland, Czechoslovakia experienced the worst economic decline in the Warsaw Pact. Although an improved economic performance in 1983 and 1984, including a bumper crop in 1984, produced growth rates of 2.4 and

2.8 percent, respectively, the structural deficiencies of the economy, rising energy costs, and the low morale of the labor force suggest that no real reversal in the process of economic stagnation is in the offing. Symptomatically, instead of tackling the issue of economic reform, the authorities have invented a new method for measuring economic growth that inflates the actual results.

A growth rate of about 3% was registered in 1985. The improvement is partly due to the fact that the "Five Year Plan" was presented to the party congress in late March 1986, but no basic changes in the existing system were made. Since 1969, discussion of any fundamental economic reform has been taboo and there are no real indications that this will change in the near future.

With a per capita GNP close to $10,000 in 1982, Czechoslovakia remains one of the most highly developed economies in Eastern Europe. Government emphasis on providing consumer goods has allowed Czechoslovakia to maintain relatively high living standards. However, the country's rate of economic growth is the lowest in Eastern Europe, less than one percent in recent years, and its aging industrial base is rapidly becoming obsolete. So far, the leadership has been unwilling to introduce any significant reforms in the face of these problems. Without such reforms, Western experts believe that the country's economic stagnation will continue.

Energy and Damage to the Environment

Securing adequate supplies of non-polluting energy remains one of Czechoslovakia's most serious problems. While prices of energy and raw materials have risen, Czechoslovak productivity and export competitiveness have declined. Extensive, wasteful, and often duplicative investment policies, contributing to poor performance in new construction, have hampered efforts to replace obsolete equipment and plants and to restructure industry along less material and energy-intensive lines.

Encouraged by the U.S.S.R., Czechoslovak planners decided to emphasize production of nuclear power and equipment to diminish reliance on the deteriorating domestic coal supply and increasingly expensive foreign petroleum. The Chernobyl accident has touched off greater public awareness of nuclear plant dangers, but is unlikely to deter government policy. According to open source material, the Czechoslovak nuclear program has already suffered two minor nuclear accidents.

Through nuclear power, Czechoslovakia hopes to reduce its continued dependence upon the U.S.S.R. for oil, as well as the environmental damage done through the short-term alternative of using its low-grade brown coal. This brown coal is high in sulphur content and, in combination with poorly-equipped fossil-burning plants, the sulphur dioxide emissions have proven especially polluting. By the early 1980's, the scope of the ecological disaster, especially in northern Bohemia, was an open secret.

Charter 77, the leading Czechoslovak dissident organization, addressed the issue of environmental deterioration in 1981 and again in 1983, urging the government to take immediate action. The spillover effects have already harmed forests in neighboring Austria and West Germany.

Faced with heightened domestic and international concern, the Prague government commissioned an environmental study by the Czechoslovak Academy of Sciences. The results were so politically explosive that they were never officially published. However, Charter 77 obtained a copy of the report and released it in Czechoslovakia and abroad. The Academy's evaluation showed that sulphur dioxide emissions alone directly affect between 3 and 4 million people, one-third of all forests, and over 10% of all agricultural land. Moreover, the Academy predicted that if existing trends continue, between 45% and 60% of all Czechoslovak forests will be damaged by the end of the century. As a consequence of the pollution, entire populations of birds and wild game have "collapsed," and about one-third of all fish and mammals are endangered. The report also notes that over 60% of "forced" animal slaughter (mostly cattle and pigs) can be attributed to "various kinds of poisoning and dietary disturbances." In fact, the study identifies the agricultural system, especially the heavy use of fertilizers and pesticides, as a major source of pollution.

The report released by Charter 77 showed that human beings in Czechoslovakia were equally affected. In the final section of the report, the Academy's researchers found that there were severe health problems, especially in North Bohemia, where mining activity and the resulting sulphur dioxide and related pollution are the greatest. In this region with a population of about 3 million, infant mortality was 12% higher than the national average in 1980, while the average life span was 3 to 4 years lower than in the rest of the country. Similarly, the study found that in many regions of the country, and in several large cities, the polluted water was so bad that "purified" water was still a serious health hazard. In addition, the study found that health-hazardous noise levels affect about 40% of the population. The report concludes with the observation that all of the items listed above have combined such that the rate of "worker disability" as a result of illness increased by over 48% between 1960 and 1980.

Trade With the Soviet Bloc

An increasing percentage of Czechoslovakia's foreign trade, approximately 80%, is with other Communist countries. More than half is with the U.S.S.R., which supplies 46% of all Czechoslovak raw materials, including almost all of its oil, natural gas, and iron ore. In return, Czechoslovakia supplies machines and other industrial products to the U.S.S.R. that are below internationally-accepted standards for earning hard currency.

Government Economic Reforms

There were some indications of concern in Prague that Gorbachev's accession to power might result in Soviet pressure for some reformist changes in Czechoslovakia. However, Husak visited Moscow in May 1985, and the Soviets' apparent endorsement of current economic strategies is likely to be interpreted as a green light for the Czechoslovak government. Husak was elected President in May 1985 and also was reelected General Secretary of the Party at the Party Congress in March 1986. Husak is 73 years old

and apparently in good health; nevertheless, a change in the Czechoslovak leadership in the not too distant future is quite possible.

Trade With the United States

United States-Czechoslovak trade amounted to $147 million in 1985. Two categories accounted for one-half of all U.S. sales here: fertilizers and concentrated superphosphates ($19 million) and cattle hides ($14 million). Soybeans and tobacco sales amounted to $4.9 million. Remaining U.S. exports include industrial equipment, chemicals and manufacturing materials. U.S. grain exports ceased in 1981. In 1985, we imported $84 million worth of Czechoslovak goods: steel products ($11 million), leather footwear ($9 million), hops and beer ($5.3 million), tractors ($3.5 million), and pork hams ($3 million).

There is no American business community in Prague, a fact that surprised our group. Except for Shell Oil (represented by a U.K. national), all of the dozen U.S. firms with offices in Czechoslovakia are represented by Czechoslovaks or other Eastern Europeans. Most bilateral trade is conducted by Austrian or German-based subsidiaries and marketing agents.

Major trade issues are the lack of Most-Favored-Nation tariff treatment and U.S. export controls. The United States ceased to extend MFN to Czechoslovakia when relations deteriorated after the 1948 coup. Although it claims that the lack of MFN hampers trade, an issue that was repeatedly raised with me, the Czechoslovak government views this primarily as a political insult. In fact, the priority given to trade with the U.S.S.R. and Eastern Europe (80% of total turnover in 1985) leaves little room for the United States or other Western countries. Many question Czechoslovak competitiveness and argue that this also, more than lack of MFN, has pushed trade eastward. On export controls, Czechoslovakia claims discrimination and cites lengthy delays in obtaining export licenses, if they are granted at all. However, Czechoslovakia clearly has considerably more hard currency than it wants to spend on Western goods.

HUMAN RIGHTS

Human rights conditions in Czechoslovakia are generally considered to be poor, even by East European standards. Travel and emigration to the West are severely restricted, although the Prague government recently has been forthcoming on family reunification cases involving the United States. As a Slovak, Husak is seen by many Czechs as seeking to impose Slovak domination of the country. Despite strong efforts to stamp out dissidence, an active human rights movement continues to function.

Under Husak the Czechoslovak Government became and has remained one of the most repressive regimes in Eastern Europe. Czechoslovakia has a large, well-funded security apparatus, directed by the Ministry of the Interior and the Communist Party hierarchy. It includes the uniformed police force (Public Security), which is similar to a Western police force, and the secret police (State Security), which deals with people it judges to be past, present, or future opponents of the regime. This powerful internal security

force, backed by the Czechoslovak Army and the 80,000 Soviet troops stationed in Czechoslovakia since 1968, is the main pillar of the government's control.

One exception to this general level of repression is the fact that the members of the Dubcek leadership were not shot or even jailed. Dubcek has been working in the Forestry Commission in Bratislava and last year, for the first time since leaving power, he spoke out in criticism of the current regime, rebutting an article by a Politburo member on the events of 1968. No Czech paper would publish his article, but the Italian Communist paper, UNITA did.

Wreathlaying Ceremonies

Our party noted with a great deal of interest the Czechoslovak reactions to the Embassy's wreathlaying ceremonies. Each year the American Embassy lays wreaths and holds short ceremonies at sites liberated by U.S. forces in World War II, or where U.S. airmen lost their lives. The Czechoslovak authorities would prefer to rewrite history to claim that the Soviet army was the sole liberator of Czechoslovakia. This year, the Czechoslovak Government attempted to greatly restrict Embassy activities. However, the Chargé's schedule was broadcast over Radio Free Europe/Radio Liberty, as usual, and heavy crowds turned up to share in the ceremonies. The Embassy distributes American flag pins at these ceremonies, which are well attended by many who remember the liberation, and who sheltered American servicemen shot down during the war. These trips are a commendable effort to honor the American involvement in liberating Czechoslovakia.

Charter 77

The Helsinki Accords had considerable impact within the country. In January 1977, hundreds of Czechoslovak citizens signed a declaration entitled "Charter 77," calling on the government to respect its own laws and constitution, as well as international agreements regarding human rights. By June, 1980 over 1,000 individuals had signed the Charter, and very few persons, perhaps 15 in all, have withdrawn their signatures. About a hundred or so have been unable to endure systematic police harassment and job discrimination, and have gone into exile. The losses caused by withdrawal, emigration, or death are made up by additional signatories, announced in a group once a year. The number of signatories is now around 1,200, of whom some 1,000 remain in Czechoslovakia. Each year three are elected as "Charter Spokesmen;" they are individuals who must bear the brunt of official condemnation and retaliation. Recently, these spokesmen have tended to be younger and less prominent than the earlier spokesmen.

Charter 77 was initially important in bringing together for the first time people of differing political outlooks and world views—non-Communists, former Communists, democratic and revolutionary socialists, Catholics and Protestants. Charter 77 has consistently denied that it is an opposition body or that it offers a program of political or social reform. Rather, its purpose is defined as a moral challenge. Broadening its early and almost exclusive focus on human rights, the Charter has moved on to adopt a critical atti-

tude toward economic and environmental problems as well. The government has rejected it as a partner in dialog, but the public has embraced it to a limited extent.

The government has tried to use short-term detention and various forms of harassment to hamper the activities of Charter 77 signatories, particularly targeting the publication of their manifestos that criticize the government's failures. Since the Chernobyl accident, "Charter 77" has expanded its focus on environmental issues. In this protest, it has been joined by a new group calling itself "Anti-Atom."

There were no major trials of well-known figures in 1985 that would attract unfavorable attention in the West. However, the authorities make frequent use of more subtle forms of repression, including: frequent house searches, detentions, and interrogations; suspended prison sentences and "protective supervision"; intrusive surveillance and other forms of psychological pressure; discrimination in employment; and denial of education opportunities to the children of "dissidents." Dissidents are also induced or forced into exile abroad and deprived of their citizenship. The harshest repression has been directed at religious groups and at those individuals and groups who monitor human rights abuses in Czechoslovakia.

Attempted Meeting With Charter 77 Spokesmen

My staff and I personally witnessed an example of such repression, in an incident that may signal that the Czechoslovak government intends to step up controls intended to minimize dissident contacts with the West. In an impromptu fashion, I decided to attend a dinner meeting between a member of my staff, Dr. Carol Hansen, Embassy political officers, and spokesmen of the Charter 77 movement. When I arrived, I discovered that several Charter spokesmen had been prevented from leaving their homes to attend this dinner. I decided to attempt to visit them at their home, where Dr. Hansen was already meeting with them.

At the vestibule to their apartment, I was stopped by several plainclothes policemen, who prevented me from entering. They stated that unless I was able to present my passport for identification, I would be unable to enter. Thus, I returned to my hotel, procured my passport, and returned to the apartment building. I was then met by approximately ten plainclothes police, who insisted that I should not enter. When I inquired why, they stated that the Minister of the Interior forbade my entrance, citing this as an inappropriate place for a U.S. Senator to visit. Attempting to pass by the policemen, I was blocked from entering again. At that point, after some discussion, the Embassy political officer accompanying me offered to go upstairs and bring the Charter spokesmen down. This was done, but the Charter spokesmen were prevented from leaving the building to speak with me.

Embassy officials told our party that this level of interference was unusual, and that it might signal a tightening up in Czechoslovak policy toward contact with dissidents. We concluded that it was important to make the attempt, although my visit was prevented. Apparently, only U.S. and British parliamentarians regularly attempt to meet with dissidents, with other Western visitors eschew-

ing such meetings. Staffer Carol Hansen did have a successful meeting with the Charter spokesmen.

Conversations With Charter 77 Spokesmen

At least one Charter 77 spokesman indicated that there has been a subtle change in activist-police relations recently, in contrast to the surprising case of interference related above. During periodic "conversations" with police, activists have found a change in interrogation style. Police appear to be "much more accommodating." They imply that the activities of Charter activists are not treasonous; rather, the police interrogators seem to afford some implicit legitimacy. It is as if, in the words of one spokesman, Charter 77 had "crossed over into the realm of 'civil expression.' "

In addition, new Charter 77 members (signers of the Charter) sometimes do not lose their jobs, as was the case in the past. In general, it was suggested that there is less persecution. One spokesman suggested that the reasons behind this shift may be Charter 77's length of tenure, its acceptance by the populace, and most interesting of all, the fact that the government is much more worried about the growth in religious observance. This spokesman suggested that the government was growing increasingly worried about "this new threat."

The Charter 77 spokesmen also discussed a variety of concerns, notably religious persecution, the extremely limited number of seminary admissions/graduations, the imprisonment of representative types of individuals, and the impact of their documents on the government. In an interesting aside, the spokesmen related that Charter 77 documents are required morning reading for senior government officials.

RELIGION

Most recently, Charter 77 has chronicled and protested the renewed attacks on religious freedom in Czechoslovakia, attacks evidently inspired by the growing appeal of religion to many young people, on the one hand, and by the apprehension in the ruling party about the spread of the Polish "disease" (presumably a reference to the great power and prestige of the Church in Poland). Paradoxically, this anti-religious campaign has led to the adoption of a more defiant stand on the part of the Catholic hierarchy, especially Frantisek Cardinal Tomasek. Some 17,000 signatures were collected in 1984, petitioning for a Papal visit in connection with the 1100th anniversary in 1975 of the death of Saint Methodius. The government rejected this request out of hand, but a renewed campaign has begun as a means of paving the way for a visit by the Pope.

Religious activity is reluctantly tolerated in Czechoslovakia, but it is rigorously regulated and limited by the state. All religious organizations must be approved by the government, and the clergy are licensed and paid by the state. Likewise, the government provides and controls the theological training received by all clergymen.

Eighteen religious organizations are permitted to operate in Czechoslovakia. The major denominations in Czechoslovakia and

their estimated memberships are the Roman Catholic (10.5 million), Greek Catholic (180,000), Eastern Orthodox (150,000), Evangelical Church of Czech Brethren (265,000), Slovak Lutheran (Evangelical) (400,000), Czechoslovak Hussite Church (400,000), Reformed Church of Slovakia, Church of Seventh-day Adventist, Methodist, Baptist, United Brethren, Church of the Brethren, Silesian Lutheran, Old Catholic, and Unitarian. About 13,000 Jews remain from the prewar population of 360,000.

Several religious groups are discouraged by the government, and the Jehovah's Witnesses are specifically prohibited by Czechoslovak law. These groups continue their worship activities despite government oppression. Priests and pastors (some 500 of whom have been deprived of licenses to perform their duties) conduct services privately in what some have called "the underground church" and have often been persecuted and imprisoned for "obstructing state supervision of church affairs."

Despite stepped up repression by the government, Czechoslovakia is witnessing a religious revival, particularly among the youth. They have become a visible presence in churches and they also take part in services held in many private homes.

The Catholic Church

Our group met with Frantisek Cardinal Tomasek, Archbishop of Prague and Primate of Czechoslovakia. As senior representative of the Roman Catholic Church in Czechoslovakia, Frantisek Cardinal Tomasek is spiritual leader of the country's largest legally recognized religious group (it claims 11 million adherents in a population of 15 million). Although the Czechoslovak Constitution guarantees freedom of religion, government restrictions on religious practice are among the harshest in Eastern Europe. Ten of Czechoslovakia's 13 bishoprics are vacant because the government refuses to accept Vatican candidates for the slots. These ten bishoprics have all been without a bishop for at least 10 years, some as long as 20 years. There is a serious shortage of priests because the government restricts entrance to seminaries. In order to practice, each priest needs a government license, which can be revoked at any time. Religious orders are banned and religious education of children is made difficult or impossible.

Cardinal Tomasek discussed many of these issues with us during our meeting with him. Initially, we raised the question of the church's staff, and government restrictions on it. The issue came up because we were struck that the Cardinal had to jump up several times during the meeting to answer his telephone; aside from the Cardinal and one or two others, the Cardinal's large residence and the church's offices were empty. The Cardinal indicated that the problem stemmed in part from a 1950 decree issued by the Minister of Culture, which forbade the entrance of new members to religious orders. That decree condemned orders to monks and nuns to wither and die. In addition, he indicated that only about 40 percent of seminary candidates receive approval from the state to enter the seminary. A significant percentage of those who are allowed to enter the seminary, and who complete their studies, are

not accepted by the government as priests. This further reduces the numbers of church staff.

We also discussed religious education for the young, which is restricted by the state. Special religious classes are allowed for those in the second through seventh grades, but parents must submit an application to the state each year requesting their child's admission. Children suffer some social ostracism as a result, and have experienced difficulties in being accepted by universities. The Cardinal indicated that his church would prefer to teach religious classes in churches and parish buildings, as is done in other socialist states, but that is not allowed in Czechoslovakia.

We also inquired about freedom of movement and travel for those in the church. Unlike in other Communist countries, Czechoslovak priests are not allowed to travel to Rome, although the Cardinal goes himself each year.

Despite these problems, the Catholic church in Czechoslovakia has shown a remarkable resilience and even experienced a religious revival in recent years. Much of the credit for this belongs to the leadership of Cardinal Tomasek, who celebrated his 87th birthday on June 30, 1986.

The Cardinal has long avoided public criticism of the regime and sought to rectify problems through private discussions with secular authorities. The election of Karol Cardinal Wojtyla as Pope has encouraged Cardinal Tomasek to take an increasingly independent stand, and to identify himself with the believers and the nation as a whole. It is now his practice, after serving mass in St. Vitus Cathedral on a Sunday morning, to stroll slowly through the courtyards of the Castle across the square from his palace, greeting and blessing the faithful. Cardinal Tomasek then appears on the balcony of his palace, which is right across Hradcany Square from the President's residence in the Castle. The Cardinal told us that the Pope had not been allowed to visit Czechoslovakia in 1985, but that an application had already been made to the state administration for a visit in the near future.

The starting point of this shift in the Cardinal's behavior usually is considered to be the Vatican edict in 1982 banning political activity by the priesthood. As a consequence, the Cardinal condemned *Pacem in Terris,* the pro-regime organization of priests, and the equally pro-regime Catholic newspaper *Katolicke noviny,* whose right to speak for Catholics he firmly denied. Cardinal Tomasek took perhaps his strongest stand in the summer of 1983, at the Prague World Peace Assembly meeting, when he delivered a bold pronouncement on the indivisibility of peace and human rights:

> "He who threatens truth in the interest of propaganda threatens peace; he who threatens respect for justice for all without exception threatens peace; he who threatens basic human liberties, including religious freedom, threatens peace. . . . There will be no peace on a large scale unless there is peace on a small scale. This means peace within every community as well as within each individual."

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FOREIGN POLICY

Relations With the Soviet Union

As a result of events in 1968, Czechoslovakia now follows the Soviet lead more closely than any other member of the Warsaw Pact. Five Soviet Army divisions currently are stationed in Czechoslovakia. Through a conscious reorientation of its economic relations, Czechoslovakia now conducts over 71-73% of its trade with other Council of Mutual Economic Assistance (CMEA) countries.

Czechoslovakia, thereby, has become heavily dependent on trade and raw materials from the Soviet Union and other Communist countries. Czechoslovakia is also the leading advocate of tighter economic integration within the Soviet bloc. In the international arena, Czechoslovakia usually takes the most strident positions in support of Soviet policies.

No major changes in Czechoslovakia have been evident since Gorbachev's rise to power. Gorbachev's talk of economic and social reform apparently created some initial uncertainty among Czechoslovak leaders. However, Husak's Moscow summit with Gorbachev in May 1985 was followed by a reaffirmation of Czechoslovakia's hard-line orthodox course in domestic and foreign policy.

Chernobyl

Czechoslovakia was one of the countries most directly affected by radiation from the Soviet nuclear power plant accident at Chernobyl. Yet, the Husak regime's response was one of absolute solidarity with Moscow. The Czechoslovak media gave little attention to the incident and denied any impact on the Czechoslovak environment. Apparently, few precautions were publicly advocated to protect citizens, animals, or crops. Czechoslovakia, itself, suffered smaller nuclear accidents in 1976 and 1977, and it reportedly tightened safety standards at its own nuclear reactors in the early 1980's.

Relations With the West

Czechoslovak relations with the West have been quite cold since 1968. Some Czechoslovaks recently have tried to improve the situation, but the hardliners in Prague are wary of anything that might weaken their hold on the country. Those seeking better relations did manage to promote visits to Prague by the British and French Foreign Ministers, but no noticeable warming ensued.

Czechoslovakia's economic relations with the West have been limited. Approximately 80% of its trade is with the Soviet bloc and almost all of its petroleum and gas are imported from the Soviet Union. This concentration of trade with its CEMA partners has permitted Czechoslovakia to reduce its hard currency foreign debt from $4.4 billion in 1981 to about $1.4 billion today. This relatively modest debt may give Czechoslovak planners some flexibility to increase trade with the West.

U.S. Policy

Relations between the United States and Czechoslovakia have been strained since the Communist coup in 1948, but particularly since the Soviet invasion of Czechoslovakia in 1968. At present, neither country appears to attach high priority to improving relations. As ties are at such a modest level, the United States has very little leverage with Prague. Czechoslovakia has restricted its imports from the West to avoid creating the hard currency debt facing other East European countries. As a result, Czechoslovakia enjoys a surplus in its modest trade with the United States and the West.

Czechoslovak relations with the United States are to a very great extent determined by Soviet relations with the United States, as well as by the perception of the Czech leadership that it cannot risk any loosening of the controls it exerts over its population. Two major obstacles to the improvement in relations, the controversy over retention of looted Czechoslovak monetary gold recovered from Germany at the end of World War II and the controversy over compensation to American citizens and corporations for property nationalized by the Czechoslovaks, were resolved by long negotiations that were successfully concluded in 1982. Since then, they have taken small steps such as an extension of the bilateral civil aviation agreement, the negotiation of voluntary Czechoslovak restraints on steel exports to the United States, and the signing of a new cultural and scientific cooperation agreement in 1986.

In April 1986, Assistant Secretary of State for European Affairs Rozanne Ridgway visited Prague to witness the signing of a new Exchanges Agreement with Czechoslovakia; implementation of the Agreement is getting underway.

Czechoslovakia clearly could contribute to better relations by being more willing to process divided family cases and visas for Americans seeking to visit relatives. While immediate relatives of U.S. citizens usually are allowed to emigrate, Czechoslovakia's record on other divided family cases (siblings, married sons and daughters) is not so good. Czechoslovak authorities assert that about one out of three U.S. citizens who were formerly Czechoslovak and left or remained outside the country without permission are granted visas to visit family or friends in the United States. Pressing humanitarian considerations are regularly disregarded, as in a recent case of a visa refused to a U.S. citizen whose mother is in the last stages of terminal cancer.

The two countries have not negotiated a trade agreement that would allow the reciprocal granting of Most-Favored-Nation status. Czechoslovakia has stated that it is unwilling to accept the terms of the Jackson-Vanik amendment to the U.S. Trade Act of 1974 linking MFN and trade credits to emigration. As a result, United States-Czechoslovak trade remains at a very modest level with U.S. exports at $58.1 million and U.S. imports at $94.1 million in 1984; the prospects for growth are not good. If other problems in bilateral relations are resolved, the increase in trade could be substantial.

Conversations With Czech Officials

Unlike Hungary and Romania, where I met with the most senior government and party officials, the most senior Czechoslovak offi-

cial I met was Deputy Foreign Minister Jaromir Johanes. Apparently, he is the most senior official Americans customarily see. He conducted the detailed discussions for the Czechoslovak side when Assistant Secretary Ridgway visited Prague in April, 1986.

Czechoslovak authorities tended to be the coolest and least responsive of the authorities in the four countries we visited. In particular, they appeared uninterested in a dialog, preferring to recite the Soviet line on a variety of international issues, including a detailed attack on U.S. arms control efforts.

Johanes asserted that further progress in United States-Czechoslovakia relations has been stymied by U.S. actions, and criticized the United States for the following: "discriminatory measures" against Czechoslovakia (e.g. the lack of MFN, controls on high-tech exports, travel restrictions for Czech diplomats in the United States) and the absence of a "dialog," which they defined as high-level visits. Apparently, they would like to exchange regular visits at the Deputy Foreign Minister level with the United States as they do with a number of Western European states.

HUNGARY

Introduction

Since Soviet forces crushed the Hungarian uprising of 1956, Hungary under Janos Kadar has steered a course of gradual and cautious economic and social reform at home and expanded bilateral relations with the West, combined with close adherence to the Soviet line in foreign policy. Under the "New Economic Mechanism," the Hungarian economy has moved significantly away from the orthodox Marxist-Leninist model toward "market socialism." The emphasis on consumer goods and profit incentives, and acceptance of a growing private sector substantially raised living standards through the 1970's. However, since the early 1980's the problems of debt, shrinking markets abroad, high prices of energy and raw materials, public disgruntlement over a decline in living standards, and opposition of hard-liners within and outside Hungary have threatened the reform program.

Capsule Summary

Demography.—Hungary is slightly smaller than Indiana, with a population of approximately 10,624,000 (July, 1986). About 93% of the population is Hungarian, with 3.4% Gypsy, 3% German, and 0.7% Jewish. About 68% of the population is Roman Catholic, 20% Calvinist, and 5% Lutheran.

The Economy.—Hungary's GNP was $77 billion in 1984 (at 1984 U.S. dollars), with a per capita GNP of $7,200. The GNP real growth rate in 1984 was 1.3% (up from −0.5% in 1983). Hungary is normally self-sufficient in agriculture, with corn, wheat, potatoes, sugar beets, and wine grapes as its main crops. Its major industries are mining, metallurgy, engineering industries, processed foods, textiles, and chemicals (especially pharmaceuticals).

Trade.—Hungary exported $16.3 billion (fob) in 1984. Of this, 38% was composed of fuels, raw materials, and semi-finished prod-

ucts; 25% of machinery and equipment; and 23% agricultural and forestry products.

Hungary currently conducts 55% of its trade with the West and the developing world, and the remainder with Comecon. (In 1965, 70% of Hungary's trade was with Comecon). Hungary's major trade partners in 1983 were the Soviet Union (30%) and the FRG (9%). Hungary currently has MFN status with the United States. Hungary is facing growing pressure from the Soviets, who have called for greater supplies of high quality industrial and consumer goods, for which it is not prepared to pay the higher price such goods command.

The Military Budget.—The military budget announced for the fiscal year ending December 31, 1985 was 23.3 billion forints, or 3.8% of the total budget.

BACKGROUND

History

Traditionally, Hungarians have considered themselves an integral part of Western Europe and the eastern outpost of Western civilization in Europe. Hungary was a monarchy for nearly 1,000 years. Its constitutional-parliamentary system preceded, by several centuries, the establishment of such Western-style governments in other East European countries.

German forces were driven out by advancing Soviet armies in a campaign that ended in April, 1945. Free elections held in October, 1945 led to the establishment of a republic and a coalition government under the leadership of the majority Smallholders Party. Following nearly 2 years of parliamentary, coalition government, the Communist minority succeeded—with the support and repeated intervention of the Soviet occupation authorities—in seizing power (May–June, 1947) and establishing a Communist dictatorship headed by Moscow-trained Matyas Rakosi. Under Rakosi, the remaining democractic parties were fragmented and their leaders eliminated or driven into exile. A Communist constitution, promulgated on August 20, 1949, proclaimed Hungary a "people's republic."

1956

The Rakosi years were marked by political consolidation using police-state methods, subservience to Moscow, imitation of the Stalinist model under Soviet pressure, and continuing purges of the party apparatus. Rakosi's attempt to maintain Stalinism in Hungary following the denunciation of Stalin in the Soviet Union led to violence in 1956. In March of that year, the national Communist Party leader, Rajk, who had been executed in September, 1949, was publicly rehabilitated. In July, Rakosi was replaced as First Secretary of the Communist Party by his trusted lieutenant, Erno Gero. In October, after months of agitation and open criticism of the regime by writers, students, and other intellectuals, Hungarian popular discontent erupted in demonstrations and street fighting in Budapest between the students and Soviet-Hungarian forces.

This was stimulated also by Poland's move toward greater independence and by Wladyslaw Gomulka's return to power there. Imre Nagy, who had been Hungary's premier from July, 1953 until April, 1955, when Rakosi removed him from office, was returned to the premiership. Gero was succeeded as first secretary by the moderate Communist Janos Kadar, who had been imprisoned under Rakosi. Jozsef Cardinal Mindszenty, the Roman Catholic Primate of Hungary, who had been sentenced to life imprisonment in 1949, was released by the insurgents. Soviet troops temporarily withdrew from Budapest.

The Government, headed by Premier Nagy, was swept along by the nationalistic exuberance of the population and increasingly identified itself with the basic popular demands. On November 1, 1956, assenting to popular demand, Premier Nagy proclaimed Hungary's neutrality, its withdrawal from the Warsaw Pact, and his government's intention to hold free, multiparty elections. On November 3–4, Soviet armed forces moved into Hungary and crushed the national uprising.

THE DOMESTIC SITUATION

In the 1960's, Hungarian leader Janos Kadar introduced policies aimed at reducing popular hostility toward the system. These were directed at improving Hungary's standard of living and granting a degree of economic and cultural, though not political, liberty. These policies continue to this day.

Government controls over the population have been relaxed considerably over the last three decades, and make Hungary unusual among East European states in terms of the relative freedom of action that its citizens enjoy. (We also found a significantly greater degree of personal freedom in Yugoslavia, in southeastern Europe). For example, in March 1963, First Secretary Kadar announced a broad amnesty covering persons imprisoned as a result of their participation in the events of 1956 and various other categories of political prisoners. Later that year, the Hungarian government abandoned the class-origin requirement that had limited admission to higher educational institutions to children of worker-peasant families. In February, 1964, Hungary ceased jamming the Voice of America and Radio Free Europe broadcasts.

In March, 1966 details of economic reforms, involving adjustment of the existing command economy system to the demands of a pragmatic market economy were announced. These reforms, collectively known as the New Economic Mechanism (NEM) went into effect on January 1, 1968.

Although Hungary has no political pluralism, differences of opinion are occasionally given outlet as the Hungarian authorities attempt to stimulate interest in public affairs. The Thirteenth Party Congress, held in March 1985, generally reaffirmed Hungary's political development and the policies of Janos Kadar. His 1963 pronouncement that "he who is not against us is with us" is still largely the rule in Hungary and makes possible the clearly discernible trend toward better living conditions, cooperation of Communists and non-Communists in Hungary's economic development, and the absence of repressive measures.

HUMAN RIGHTS

Hungarians do have to accept certain definite limits on their freedom. The Government does not allow any challenge to or questioning of the country's basic Communist system or of the leading role of the party, although considerable debate over specific policies and even criticism of individual leaders, including Kadar, is tolerated. An election law implemented in 1983 provided for multiple candidate elections to the National Assembly. The leadership seems eager to broaden popular participation in the political process while still rejecting genuine pluralism.

In the sphere of human rights, Hungary is generally seen as having a better record than other Warsaw Pact countries. There is relative freedom of worship and the government is engaged in an ongoing dialog with the Catholic and other churches. There are fewer travel restrictions than in other East European countries, but there are still some. Jewish emigration is very low, but members of the small Jewish community reportedly are not asking to leave in any significant numbers. Millions of Hungarians travel abroad each year, and the number of foreigners visiting Hungary annually (12–15 million a year, according to tourism officials) now exceeds its total population of 10.5 million.

About 200,000 former Hungarian nationals return to Hungary to visit each year, in contrast to the policy of the rest of the Soviet bloc, which discourages such returns. Deputy Foreign Minister Benji explained that every third ethnic Hungarian "lives outside the country," and that that means a "special task for Hungarian foreign policy." Ethnic Hungarians will "always be most welcome."

Hungary's liberal policy toward foreign travel was explained by Foreign Minister Varkonyi in the following fashion: "We believe in a free exchange of people; there is a logic in it. We let them see that all is not roses outside either." About 5 million Hungarians go abroad each year, the bulk of them to other socialist countries, although there is quite a bit of travel to the West also. The Hungarian government makes such travel relatively easy; for example, there is no exit permission required for travel to Austria, Finland or Sweden.

There is a small but active human rights movement in Hungary. Several groups of political dissidents have recently been joined by environmental groups. Political dissidents have been dealt with more leniently than in other East European countries, although the government still aims to curb their activities through minor harassment, short-term detention and pressure on dissidents to emigrate. Apparently, beatings rarely occur, and harassment is clearly the technique of choice.

GYPSIES

Gypsies are officially estimated to represent less than 5% of Hungary's population, but the Romani people regard that as an undercount. Gypsies are most heavily concentrated in the northeast part of the country, where they account for 10% of most towns' residents.

Most Hungarians have either an ambivalent or negative attitude toward gypsies. On the one hand, foreign tourists expect to find

gypsies, so many of the musical groups in restaurants are made up of them. At the same time, many Hungarians disparage them.

The official government policy has been one of assimilation and a refusal to recognize the gypsies as a legitimate ethnic group. One of the levers used to implement this view is the Hungarian army, which, beginning in 1979, was ordered to recruit young gypsy males more actively. However, a national counsel for the preservation of gypsy culture was formed this year. Affirmative action is applied with regard to housing, with interest-free loans and land grants provided. As a result, some of the worst gypsy ghettos on the outskirts of many towns have been razed. Gypsies' school drop-out rates are disproportionately high, and gypsy males frequently end up in construction or as unskilled laborers. An attempt was made at one time to provide separate schools, but now "mainstreaming" is the official educational policy. A scattering of gypsies do go on to higher education, with most of the potential community leaders employed in the arts.

RELIGION

The Primate of Hungary, Cardinal Laszlo Lekai, died in June 1986. During our meeting with Foreign Minister Varkonyi, he expressed regret that the Cardinal had died, saying that he was a "very good man," and that he was "very sorry." He went on to say that his government was in the process of negotiating an agreement with the Vatican on a successor. The successor would have to be acceptable to the Hungarian government, and take an oath to the Hungarian Communist constitution. Five bishops' posts are currently vacant because of the deaths of incumbents and two others may soon become vacant because of illness.

Deputy Foreign Minister Benji also expressed his sadness at the Cardinal's death, indicating that "we are mourning." He characterized his government's relations with the Holy See as "excellent," and indicated that their ambassador is often a guest of Vatican officials, and that meetings occur "weekly." When apprised of the vacant bishops' posts that exist in Czechoslovakia, Mr. Benji stated that there are no vacant bishops' posts, except one or two cases left vacant due to illness.

Staffer Carol Hansen had a lengthy meeting with Rabbi Alfred Schoner, chief rabbi of Hungary. Rabbi Schoner discussed the history of Hungary's Jewish community in some detail, stressing the lot of the 800,000 Hungarian Jews who lived there prior to World War II, and the 100,000–150,000 who survived the war.

Rabbi Schoner's account of more recent Jewish life in Hungary was considerably more encouraging. Although he cannot accurately estimate the number of Jews left in Hungary, as no statistics are currently kept by religion at birth, he does know how many Jewish families pay a donation fee to his faith. Mandatory contributions are not required, but as 12,000–13,000 families make contributions, he expects that at least 50,000 Jews are left in Hungary. He indicated that there are 23 functioning synagogues left in Budapest, and that in every large city there are Jewish communities.

Further, Hungary is virtually unique in terms of its special facilities for training and preserving Jewish religion and culture. For

example, Hungary has the only rabbinical training school in central and eastern Europe (including the U.S.S.R.). It graduates one or two Hungarian rabbis each year. Hungary is also notable for the fact that it has the only Jewish secondary school in central or eastern Europe, the only Jewish hospital, and the only Orthodox school. Talmud lessons are also taught in each primary school run by Jews. Hungary also allows its Jewish congregations to run "rabbinical training" three times a week for adults.

THE ECONOMY

The New Economic Mechanism

The New Economic Mechanism (NEM), introduced in 1968, was intended to increase flexibility and efficiency by decentralizing economic decisionmaking. Broad development direction continued to be laid out in central plans, but enterprises were given wider scope to decide what to produce, how to spend investment funds, and how to manage their labor forces. Enterprises were to be judged on their profitability rather than on gross output, and the incomes of management and labor were differentiated to reflect performance. Central plans were implemented by using economic regulators (taxes, prices, exchange rates, credits) to influence enterprise decisions rather than by direct and compulsory directives to individual units.

Although the NEM made greater use of market forces to guide economic activity, the government stressed that the reforms should not be interpreted as a return to capitalism and that the dominant feature of the economy, socialist ownership of the means of production, was not to be altered.

Introduction of the NEM ushered in a period of rapid growth, accompanied by equilibrium in the balance of trade. In the early 1970s, however, a number of factors combined to blunt the reform effort. Ideologists objected to the lessening of central control and the increasing differentiation of incomes. In addition, the government protected the economy from the oil price explosion of 1973–74, so internal prices began to diverge increasingly from world prices. Subsidies were added to protect individual enterprises. Gradually, although the NEM remained officially in effect, much of its success as a rationalizing agent in the economy was diluted.

As a result, by 1975–78 growth began to slow, while Hungary faced a mounting trade deficit. Internal problems were reinforced by the rising cost of imported energy and raw materials, and its problems with generating foreign sales.

A second era of reforms was introduced in late 1977. These measures attempted to balance the convertible currency trade, to make prices more accurately reflect costs, to phase out subsidies, to improve marketable exports, and to tie wages and salaries to performance. Unfortunately, this effort was also not a complete success.

Current Economic Problems

Janos Kadar has been First Secretary of the Hungarian Socialist (Communist) Worker's Party since November, 1956. In March, 1985, for the first time in nearly 30 years under Kadar's leader-

ship, the Hungarian government frankly admitted serious economic problems. Its leaders told their Communist party congress that it was illusory to think that Hungary and other Communist countries were immune from "capitalist ills" such as inflation and unemployment. Kadar conceded that real wages went down from 1980 to 1984, and that the country was nearly forced to reschedule its debts in 1982.

At any previous point in the past four decades, such an outburst of candor from an East European country could have guaranteed both isolation and a blast of Soviet anger. However, as expectations have been lowered both in Eastern Europe and in the U.S.S.R., such candor was even encouraged for Hungary, where the economy is more buoyant.

Many Western analysts say that the Hungarian economy is at a crucial turning point. Official decisions in the coming months about the extent of Western contacts and the expansion of economic changes are critical, as Hungary has long been a bellweather of how far one of Moscow's clients can alter the Soviet model.

Hungary's reformers are currently encountering internal and external resistance to economic changes that have given it the most market-oriented system in the Warsaw Pact. This criticism comes at a time when at least 1.5 million people—primarily pensioners, blue-collar workers and young people—have slipped below the poverty line.

Economic Reform

Kadar's most far-reaching changes have been introduced in the economic sphere. Economic priorities have been redirected toward greater consumer satisfaction and Hungary has introduced profit incentives in industry and agriculture. The "New Economic Mechanism" is the most far-reaching economic reform, outside of Yugoslavia's, undertaken in Eastern Europe. The role of central planning has been reduced, and market forces have been brought to bear on the economy.

The reforms have produced major results in revitalizing the agricultural and service sectors of the economy and in specialized areas of industry. Although overall economic growth has been only average in CMEA terms, both quality and efficiency of production, as well as general living standards, have been among the highest.

"An Economic Crisis?"

Now Hungary faces a number of economic problems. The country must rely on increasingly expensive imports of raw materials from the Soviet Union. Under Gorbachev, the Soviet Union is requiring higher quality goods in return, so that Hungary may lose hard currency income now earned by quality exports sold in the West. The government has had to impose strict austerity measures and restrict imports from the West to reduce Hungary's hard currency debt ($9 billion in 1984) resulting in a decline in capital investment and lowered living standards for many Hungarians. Economic growth is expected to be modest for several years as the government seeks to modernize and promote exports (trade accounts for 50 percent of Hungary's GNP).

The social impact of the country's economic program has been mixed. Thanks to profit incentives, the encouragement of small-scale private enterprise, and widespread private "moonlighting," disparities in earnings have been created. Indeed, Hungary's Communist party is the first in the Soviet bloc to revise the principle of equality and to boldly declare that people ought to earn as much as they are worth on the job. "Equality of opportunity" is the new catch phrase. Hungarians are being asked to accept wider income differentials—the widest in Eastern Europe—as a natural outcome of introducing better material incentives and market mechanisms. However, wage inequalities have caused dissatisfaction, particularly among unskilled blue-collar workers who are generally the lowest paid.

Ironically, one of the blue-collar professions—bricklaying—is among the highest paid in all of Hungary, particularly by moonlighters. In 1985, the individual with the highest declared per capita income in Hungary (as evidenced on the tax rolls) is a bricklayer, whose home is in the Buda hills near First Secretary Kadar's.

Dissent Over Economic Policy

Economic divergences are threatening Hungary's social stability. Hungary's market-oriented reforms have not improved Hungary's productive capacity as much as was originally thought. However, they have left the country virtually unprotected against an invasion of Western influence—the consumer culture is more well-developed in Hungary than anywhere else in Eastern Europe. The cars on the street tell the story. Along with the Dacias, Ladas, and Trabants, there are Mazdas, Volkswagens, and BMWs.

Unfortunately, a majority of the population does not consider itself to be benefiting sufficiently from the cornucopia of Western consumer goods. Many urban dwellers on fixed incomes live a dreary existence on the borderline of poverty. With such a difference between rich and poor, it is no wonder that property crime is growing at the rate of 6% a year.

The overall standard of living has eroded seriously during the 1980s. Real wages slipped about 2% in 1984, making those less well-off—unskilled workers, pensioners and young families—more bitter about those who are prospering.

Many of those considered rich in Hungary would not be rich in the Western sense. Having a house, a car, and a few Western products is a clear mark of affluence in a country where the average worker earns the equivalent of $125 a month.

Disillusionment is increasing, especially, among the young. Weaned on a growth economy in the 1970's, they now face a scarcity of good jobs and a wait for an apartment that is longer than ever. Many have become opposed to further reforms, on the grounds that the measures only seem to benefit the class of "new" rich.

This disillusionment has given rise to an increasingly autonomous trade union movement. As in Poland, worker wrath is directed upward. However, in Hungary, pressure on the leadership is less concentrated, since everybody is aware that the wealthy are not

necessarily the powerful. Kadar and the members of his Politburo live frugal lives compared to those of local entrepreneurs and Communist leaders in neighboring countries.

Kadar as a Force for Stability

Although Hungary's society may now at times be in turmoil, Kadar and his regime have, by no means, been discredited. The widespread basis of his legitimacy is still the knowledge that he provides the best alternative available within the confines of Soviet imperialism. For this assumption to hold true, the regime must keep delivering more to the population. The June 1985 elections for parliament and local councils were a case in point. More than one candidate was required to stand for each seat. In the West, the voting was not taken seriously. However, in Hungary, it was seen by some as having the potential to lead to a real, evolutionary step. Not even the dissidents talked cynically about the elections. (At one nominating convention, dissident Miklos-Tomas forced Foreign Minister Peter Varkonyi into a public debate.) While the new parliament has no real power, its newly-found legitimacy in the eyes of the people could eventually turn it into a pressure group. Indeed, Hungary's parliament did make history by voting down a proposed amendment to a draft tax bill favored by the government on March 20, 1986—the first parliamentary defeat a government in the Soviet bloc has ever faced! At the local level, the elections also served to rid many towns of old party hacks and replaced them with younger, more popular individuals.

Kadar and his officials are also attempting to put a brake on the growth of the rich. They are developing an income tax in consultation with the International Monetary Fund, and are also considering taxes to stimulate production. As these measures are likely to take several years to implement, in the interim officials are focusing on several other measures to diffuse the new rich issue. They are promoting more competition in the private sector, for instance, and promising more aid to poorer groups in the form of increased payments and the introduction of Western-style social workers at the community level.

FOREIGN POLICY

Relations With the West

The Hungarians have gone to great lengths to convince the West that widening economic reforms will create a more desirable environment for Western investments. Mr. Jozsef Marjai, Hungary's Deputy Prime Minister, has said that his government will improve conditions for Western companies entering joint ventures with Hungarian companies, although Western observers continue to express skepticism that the changes will be sufficient inducements. However, some progress is being made, as joint ventures numbered 41 in 1985, compared with 25 in early 1984.

Relations With the Soviet Union

The price the Hungarian leaders have paid for the country's internal autonomy and economic and cultural ties with the West has

been a very close adherence to Soviet foreign policy. Hungary is a member of the Warsaw Treaty Organization and the Council for Mutual Economic Assistance. Four Soviet army divisions are stationed in the country. Hungary has formally supported the Soviet Union on every major foreign policy issue, though with varying degrees of emphasis or enthusiasm. At the same time, the Hungarian government reportedly has opposed some of the recent initiatives for tighter Warsaw Pact and CMEA integration.

The rise of Gorbachev has brought no clear changes in Soviet-Hungarian relations. Gorbachev has given some positive signals for Hungarian policies, such as his stress on the need for reform and change in the Soviet Union and his general recognition that the Soviet Union can learn valuable lessons from other countries. On the other hand, Gorbachev has given no explicit endorsement for the Hungarian program. He has specifically rejected the introduction of market forces into the Soviet economy, and he has stressed the need for CEMA cohesion and integration.

In general, the Hungarian spokesmen have cautiously interpreted Gorbachev's stance as one of support for Hungarian reforms, and they have reaffirmed their commitment to reform policies. Indeed, First Secretary Kadar told our party that Gorbachev was no problem whatsoever," and that it seemed that he was "led by similar aspirations" that were "not identical." Nevertheless, he stated that "understanding on many issues is much easier."

CHERNOBYL

Hungary was one of the European countries directly affected by the Chernobyl nuclear accident in the Ukraine. The Hungarian response was to give frequent and extensive coverage of events in the official media, though without direct criticism of the Soviet Union. Some precautionary measures were taken to protect citizens against contaminated milk and vegetables. In an unusual move not followed elsewhere in the Soviet bloc, the Hungarian government announced that it would compensate farmers for their losses as a result of Chernobyl.

Dissidents with whom staffer Hansen talked expressed considerable concern regarding the level of coverage given the Chernobyl accident in the Hungarian media. Specifically, they argued that the government should have given the citizenry warning much earlier, that its precautions were inadequate, and that Hungary should have been more open to offers of assistance from the West.

Hungary purchases considerable electricity from the U.S.S.R. and draws its power imports from the Ukraine grid. The Chernobyl accident immediately reduced the amount of electricity that Hungary was able to purchase from the U.S.S.R., but since it uses very little air conditioning, that lack did not cause serious hardship for Hungary during the summer. As much as 15 percent of its needs may not be met, however, once colder weather arrives and a greater demand increases.

U.S. POLICY

U.S. relations with Hungary have improved significantly since 1976, ending decades of difficulty. In that year, Hungary paid its

debt arrearages to the U.S. Government in full, including those dating back to the post-World War I era. In January, 1978, the United States returned to the people of Hungary the historic Crown of Saint Stephen and other Hungarian coronation regalia that had been safeguarded by the United States since the end of World War II.

Our conversations with Hungarian officials certainly indicated a desire to build a strong relationship. Foreign Minister Varkonyi stated that "at the basis, we are in complete agreement, although there remain differences 'on the surface.'"

Hungary has been the main beneficiary of the U.S. policy of differentiation among East European countries, rewarding those which are most open in their domestic or foreign policy. In March 1978, the United States and Hungary signed a trade agreement which provided for the reciprocal granting of MFN. The President subsequently waived the provision of the Jackson-Vanik amendment to the Trade Act of 1974 (linking trade to emigration) and Congress approved MFN for Hungary. The waiver must be renewed annually. Hungary has often expressed interest in getting a multi-year waiver, and I was specifically asked repeatedly in meetings with Hungarian officials for a 3-year waiver. They were clearly not pleased by the annual renewal; Foreign Minister Varkonyi characterized it as "humiliating for a European."

I repeatedly asked about the possibility of Soviet pressure against Hungary to cancel MFN, should Romania's MFN status be lost, thereby leaving Hungary as the only state in the Soviet bloc with U.S. MFN status. Each Hungarian foreign affairs official with whom I spoke, including First Secretary Kadar, indicated that he did not expect Soviet pressure to encourage Hungary to drop its MFN status with the United States.

Despite the impact of Most-Favored-Nation status, United States-Hungarian trade remains at a modest level. Between 1978 and 1983, the Commerce Department reported that trade increased by 6.1%. In 1983, U.S. exports to Hungary totalled $110 million and U.S. imports equalled $158 million. Foreign Minister Varkonyi stressed that Hungary was making good progress with the Japanese in expanding trade, and that he would like to see more American businessmen visit Hungary. However, even Varkonyi did not suggest that major adjustments in United States-Hungarian trade are likely to be in the offing. He indicated that he would be "very satisfied if the volume of bilateral trade could be doubled." Deputy Foreign Minister Benji echoed these sentiments, but volunteered that his government had offered legal guarantees and government guarantees for American capital as a means of facilitating trade.

Both sides want to further expand trade, but there are serious impediments to rapid growth in the next few years, as Hungary is reducing imports and many Hungarian goods are still not competitive in U.S. markets. The Trade Minister admitted that some of Hungary's export goods are not "close" to world standards, but that improvements are still needed.

As a result of Hungarian interest in trade benefits, the United States seems to have some leverage with Budapest. Emigration and human rights problems between the United States and Hungary are few. The level of emigration from Hungary is low but the State

Department notes that the government has been responsive in trying to solve family reunification problems.

The Visit With First Secretary Kadar

I was struck by First Secretary Kadar's accommodating response to our visit. We spoke for nearly 2 hours in an unscheduled meeting, and broke off the conversation only because Ambassador Salgo and I were overdue at the U.S. Embassy's Fourth of July celebration. First Secretary Kadar stated that the atmosphere between the United States and Hungary was such that "it was appropriate to discuss any subject." He stressed that Hungary needed many partners, not just the Soviet Union, and distinctly included the United States.

When queried about the next 10 years, Mr. Kadar indicated that he expects relations to be "continuous" and "strengthened." In terms of his country's development, he stated that he is "anxious to protect" the progress that his state had made. Further, he stated that the "common root of these reforms, socialism, is 'not enough.'" Rather, "people must have incentives, a vested interest in these reforms. Our aim is to have every level of interest, every individual family, the whole of society invested in the society." He indicated that the other aim of his reform is to have "the whole system capable of more efficient management."

Surprising to me was his statement that "this is not a Communist country, it is a country in transition . . . a socialist system in evolution." He characterized it as a unique socialist system, using different means such as the tax system, a different credit policy. It is being shaped over decades. Arguing persuasively, he stated that each social system must take as its point of departure the "real system" underneath; it must take into account the traditions of its people. If it does not, "it cracks." Mr. Kadar applied this statement "to free enterprise countries just as much as to socialist countries."

YUGOSLAVIA

Introduction

Yugoslavia controls the most important land routes from central and Western Europe to the Aegean Sea and the Turkish Straits. The Danube river, the most important water route from Central and Western Europe to the Black Sea, flows through northeastern Yugoslavia. As a consequence, Yugoslavia's history is one of invasions and the subsequent mingling of peoples. In fact, Yugoslavia's population has the greatest ethnic and religious diversity in Eastern and Southeastern Europe. The nation of Yugoslavia formed in 1918 contained the principal South Slav groups and an additional 17 minorities, which are still distinguishable today.

The Communist regime established in Yugoslavia in 1945 was unique in Eastern Europe, in that it had a powerful base of popular support. This enabled Yugoslav Communist Party leader Tito to succeed in his 1948 confrontations with Stalin, his withdrawal from the Soviet bloc, and his formuation of a "separate road to socialism" for Yugoslavia as a non-aligned Communist state. Yugoslavia is a multinational confederation beset by serious tensions and con-

flicts among its constituent peoples. After Tito's death in 1980, some questioned whether Yugoslavia would be able to maintain internal cohesion and independence from the Soviet Union. The collective leadership appears to have been successful so far, but some observers fear that serious economic problems threaten long-term stability and independence.

Capsule Summary

Demography.—Yugoslavia is the size of Wyoming, with a population of 23,284,000 (July 1984). About 36.2% of the population is Serb, 19.7% Croat, 8.9% of Arab background, 7.8% Slovene, 7.7% Albanian, 5.9% Macedonian, 5.4% Yugoslav, 2.5% Montenegrin, 1.9% Hungarian, and 4.0% other (1981 census). About 50% of the population is Serbian Orthodox, 30% Roman Catholic, 10% Islamic, 1% Protestant, and 9% other.

The Economy.—Yugoslavia's GNP was estimated at $128.8 billion in 1984 (1983 dollars), with a per capita GNP of $5,600. The real growth rate was −1.7% in 1984. Yugoslavian crops include corn, wheat, tobacco, sugar beets, and sunflowers. It is occasionally a net exporter of foodstuffs and live animals. It imports tropical products, cotton, wool, and vegetable meal feeds.

Trade.—Yugoslavia exported $10.3 billion (fob) in 1984. Of this, 52% was comprised of raw materials and semi-manufactures; 31% consumer goods; and 17% equipment (1984).

Yugoslavia conducted 61% of its trade with non-Communist countries, and 39% with Communist countries, of which 21% is with the U.S.S.R.

The Military Budget.—The military budget announced for the fiscal year ending December 31, 1985 was 391.3 billion dinars, or 4.8% of the total budget.

DOMESTIC SITUATION

History

During World War II Yugoslavia was equally torn by the invading armies of Germany, Italy, Hungary and Bulgaria, and by internal ethnic, religious, and political strife. The resistance forces in Yugoslavia were split into the "Yugoslav Army in the Motherland" (popularly known as the "Chetniks"), which had close ties to the exiled government, and the National Liberation Army (the "Partisans"), led by Marshal Josip Broz Tito and the Communist Party. In vicious and tragic fighting against the occupiers, quisling regimes formed by the Nazis, and each other, the war cost close to 2 million Yugoslav lives, about half of them at the hands of fellow Yugoslavs.

Allied pressure induced formation of a coalition government in 1945, but Communist-controlled elections produced a provisional assembly that proclaimed the Federal People's Republic of Yugoslavia on November 29, 1945. On January 31, 1946 a Soviet-type constitution was adopted, and Yugoslavia officially became a "people's republic," headed by Tito.

In the immediate postwar period Tito worked closely with Stalin, but Yugoslavia's insistence on its own independence strained rela-

tions and led Stalin in 1948 to order Yugoslavia's expulsion from the Cominform and to impose an economic blockade.

Economic and military assistance contributed by the United States ($2.9 billion from 1946-65) and its Western allies after the 1948 break helped Tito maintain Yugoslavia's independence despite Cominform pressure. With this support, Tito embarked on policies to consolidate public support, strengthen the economy, and justify Yugoslavia's "independent road to socialism," policies that made Yugoslavia a maverick in Communist theory and practice. The rigid Cominform economic blockage from 1949 to 1953 led to reorientation of Yugoslav trade toward the West, and Yugoslavia broadened its contacts with the Free World in political and cultural fields as well.

The Federal Structure

Yugoslavia is an uneasy amalgam of eight nationalities with five languages and three religions. It first became a nation in 1918. After World War II, Tito's Communists reorganized the state as a federation of six republics (Slovenia, Croatia, Serbia, Bosnia-Herzegovina, Montenegro, and Macedonia), and two autonomous provinces, Kosovo (predominantly Albanian) and Vojvodina (with a large Hungarian minority).

Yugoslavia attempts to be a bridge between East and West. The very names of its major city streets indicate that concern: George Washington streets, Roosevelt street, Charlie Chaplin street, Lenin street . . .

There is intense historical enmity among many of the nationalities, as mass murders and charges of extermination are living memories, and communal violence is still a problem in the Kosovo. Under Tito, the Federal Government surrendered a great deal of political and economic authority to the republics in the name of national autonomy. However, Tito was able to command enough respect to effect the necessary cohesion. After Tito's death, the system fragmented further. He bequeathed a collective State Presidency of nine: representing the six republics, two autonomous provinces, and the League of Communists of Yugoslavia (LCY), as the Communist party is called. The position of President of the Presidency rotates annually among these nine. Sinan Hasani, a Kosovo Albanian, began his 1-year term as President on May 15, 1986. The Presidency appoints a Federal Prime Minister for a 4-year term, but he (Branko Mikulic) and his Cabinet have less authority than their counterparts in other European states, because of the extreme devolution of power to the republics. He, nevertheless, has as much or more influence on the format of federal politics as any other official, especially in the economic arena. The LCY is a national organization, headed by Vidoje Varkovic, but it too reflects the fragmentation of regional and ethnic loyalties.

Western Influence

Yugoslavia is "heavily affected" by the advanced countries of Western Europe, in the words of Acting Foreign Minister Loncar. We found that English ranked second in terms of the frequency of

languages spoken. Even emergency procedures on airlines are described in English as well as in Serbo-Croatian.

It has over 25 million visitors each year, places 1 million guest workers in Western Europe, and is, thus, inevitably affected by European culture and ideas. Nevertheless, as Mr. Loncar indicated, Yugoslavia is one of the few states in the Mediterranean world where demonstrations have not been staged outside U.S. Embassies. In addition, Yugoslav officials repeatedly cited assurances that they were "resolute in the struggle against all forms of terrorism, individual, group, and state-sponsored."

THE ECONOMY

The economy is in serious trouble, with a foreign debt of over $20 billion, unemployment between 10% and 15%, annual inflation over 80%, and a 30% decline in the standard of living since 1980. This is caused by a variety of factors, including apathetic labor, inefficient management, inefficient allocation of labor and capital, wasteful and duplicative investment practices, and near anarchy in planning, compounded by a drop in the world market price of raw materials and unfinished goods which constitute the bulk of the country's exports.

Regional differences are enormous, with the north generally better off than the south. The per capita income in Slovenia is $4,000, in Serbia it is $1,200, and in Kosovo $500. This differentiation, and the decentralized economic decision-making that contributes to it, exacerbates regional animosities. On economic issues, the more successful Slovenes and Croats tend to resist allocation of resources to the needier south.

Yugoslavia developed its unusual form of socialism as a means of adapting to the many constraints imposed by its diverse economic and social character. In Yugoslavia's self-management form of socialism the Communist party is removed from the position of sole political power; here, it has become the "guiding light," with great regional autonomy granted. There has been a deliberate devolution of power and authority for economic reasons as well as for nationalistic ones. Control by the state over prices is also an excellent illustration of the extent to which the traditional Marxist model has been modified. According to Vice President Milosavljevic, the prices of 40% of Yugoslavia's goods are set freely, it is required by law that producers announce price changes publicly for an additional 46% of commodities, and only 14% of commodities are subject to firm, social control over pricing policy.

This diversity extends to virtually every aspect of life and governance. On questions of civil and human rights, the more permissive Slovenes and Serbs are opposed by relatively more repressive Bosnians and Croats, and the even more strict Montenegrins. In response to calls for greater centralization of economic decision-making, all the smaller and wealthier republics stand together against the Serbs who, at 36% of the population, are the largest ethnic group. Within the government, the party, and the public there are economic debates between advocates of free market reforms and increased centralization, and political debates over democratic pluralism versus tighter control. Some fear that govern-

ment attempts simply to muddle through without addressing fundamental political and economic problems may lead to deeper impoverishment, increasing ethnic hostility, and political instability. Others believe that muddling through, perhaps with some marginal reforms, may be the safest course.

HUMAN RIGHTS

Because of Yugoslavia's non-aligned status and its military independence from the U.S.S.R., it is sometimes overlooked that Tito, a life-long Communist, also bequeathed a legacy of strict political control and repression of dissent. Thousands of anti-Communists were killed shortly after Tito and his partisans seized power in 1945, and thousands more who supported Moscow were killed after Tito's struggle with Stalin in 1948.

Such executions are a thing of the past, but there are approximately 600–1,000 political prisoners in Yugoslavia, one of the highest totals in Eastern Europe—aside from the U.S.S.R. Most of these are imprisoned for "nationalist" crimes, e.g., Albanian and Croatian advocates of greater autonomy or separatism for their region.

Yugoslavia's political fragmentation extends to the criminal code. Political behavior which might be permitted in relatively liberal Slovenia might be severely punished in ideologically orthodox Boznia-Herzegovina. About half of the political prisoners are Albanians, reflecting the fact that Kosovo has been the most intense hot spot of particularism and ethnic violence in the 1980's. Yugoslavs, however, enjoy virtually unlimited freedom to travel abroad, with some fluctuations due to economic austerity, and they travel in ever-increasing numbers. Emigration is permitted; there are no divided family cases in Yugoslavia. Some 625,000 Yugoslavs also work abroad in Western Europe.

Since the early 1950's, Yugoslavia has followed a pragmatic policy that moderates many features of more orthodox Marxist regimes in pursuing the leadership's own interpretation of socialism. Certain basic human rights are recognized and protected in Yugoslavia, though they tend to be defined more in social and economic terms than in Western terms of political and civil liberties. For example, private property rights are respected—84% of all farmland is owned privately—and in manufacturing, firms with some private participation have begun to operate. Economic and social rights are strongly protected to the point that it is difficult to fire a worker, even for cause.

Respect for some civil liberties is not as strong, however. Only one political party is permitted; the press is subject to some party direction (though not to the rigid controls common in Warsaw Pact countries). Nevertheless, often harsh press criticism of the party and government policies is commonplace. Individuals can be jailed for criticism of the government, the party, or of the late President Tito. There is no pre-publication censoring; but publishers self-censor via party meetings, as publications can be criticized afterward.

A form of "delegate democracy" has emerged, in which Yugoslavs elect electors who form a committee to represent them. In effect, an indirect form of representation exists in Yugoslavian pol-

itics. Each of these committees chooses the next higher level of representation. Yugoslavia is also experimenting on a varied, decentralized basis with a system of secret ballots and multiple candidates at the lower levels. It also makes use of a system of "nonprofessional" politicians, people rotated into government from the business and professional worlds. This process introduces an element of pluralism into Yugoslav government.

There is also direct economic management by committee, in which business endeavors are owned, managed, and financed by the members. Yugoslavs consider this "self-management" system to be their unique contribution to Marxism, but it was previously tried by the Bolsheviks in 1919, only to be put down by the Red Army.

The Albanian Issue

A recent and strong Congressional resolution criticizing the Yugoslav Government for their treatment of their Albanian minority was repeatedly brought to my attention throughout the trip. Dr. Sukovic, President of the Foreign Affairs Committee of the Federal Chamber of the Federal Assembly, was most vehement in attacking it. He characterized it as promoting "subversive, terrorist activities" in the United States in support of "hostile, Albanian emigration." He stated further that "Congress has taken upon itself a 'great responsibility' to the detriment of United States-Yugoslav relations by this resolution." Further, he impugned Senator Dole's involvement with the "perpetrators of this war," arguing that he has hosted a special luncheon for them in New York. In addition, he argued that "since no one has rebutted these charges yet, I assume them to be true."

I strongly rebutted these attacks, particularly the argument that these "subversive emigre activities were encouraged and tolerated by state organs." I also stated that the resolution does not have the force of law, that it had not yet been passed, and that I had specifically asked that it be referred to the Senate Foreign Relations Committee for proper consideration.

RELIGION

Although officially atheistic, Yugoslav authorities tolerate widespread religious activities. There is, in fact, a significant renaissance of religious belief in Yugoslavia. Radio Free Europe/Radio Liberty recently reported a party leader as admitting that the strengthening of religion in the country has come about as a result of the weakening of the party. According to a recent poll, in the Zagreb area alone, "43.1 percent of those questioned said that they were sending their children for religious instruction or would send them if they had children." As a partial response, an amendment to the law has been proposed providing for fines of 2,000 to 20,000 dinars (about $5 to $50) or 30 days imprisonment for persons performing a religious ceremony where it is not permitted by law. Also, anyone using radio or film to spread religious material would be liable to a fine of 10,000 to 100,000 dinars (about $25 to $250). The Yugoslav media has not concealed the fact that such harass-

ment of the Churches meets with "embittered opposition" from the people.

While this growth in religious belief is ideologically troubling to the regime, it has not yet interfered much with "ordinary" religious activity. Churches are open, and seminaries are allowed to function and even expand. Nonetheless, in Yugoslavia religion can be an instrument of ethnic nationalism, and such activities as Muslim fundamentalism, Serbian Orthodox "chauvinism," and Croatian Catholic separatism are carefully watched, and not repressed except in sporadic outbursts, particularly when the authorities believe that they are linked with nationalist sentiment.

Religious groups largely follow ethnic lines. The 7 million members of the Orthodox faith include most Serbs, Montenegrins, and Macedonians. There are more than 5 million Roman Catholics, including most Croats, Slovenes, and Hungarians. A considerable portion of the population in the Republic of Bosnia-Herzegovina, the small Turkish minority, and most of the Albanian minority combine to total more than 2 million Muslims.

Conversations With Officials of the Serbian Orthodox Church

Senate Foreign Relations Committee staffer Carol Hansen met with officials of the Serbian Orthodox Church. They provided the following data. The post-Tito period was characterized as relatively more free for all religions, although the greater decentralization that has occurred since Tito's death has left a dearth of authority at the federal level. It was stated that there is no federal protection of minorities, a remark with which American Embassy officials disagreed.

The Catholics were described as feeling more secure, due to their international backing. The Orthodox, which are in a numerical majority, are nevertheless treated as a minority because of their minority status in key regions. Their uneasiness with government authority is an old problem, for they have always been caught between two worlds. Austrian Catholics burned them at the stake, and Muslims impaled them.

When queried about where religious freedoms are the most abused, these officials cited Bosnia as the main problem, along with the periodic persecution of Croatian Catholic separatists. Slovenia was described as the most liberal region in Yugoslavia, in terms of religious issues. As an example of this liberalism, the officials cited the fact that only in Slovenia have government officials given empty Catholic churches to the Orthodox faith for their use.

These officials characterized the Orthodox faith as suffering the greatest persecution, although all religious adherents risk losing their jobs if they actively press for religious instruction for their children. Similarly, very few government officials dare to get married in a church, even if they are strong believers.

In terms of religion, each republic makes its own laws. These officials asserted that this leads to a considerable degree of differentiation. Similarly, the various religions fare better or worse depending upon the wealth and influence of their supporters abroad. For example, petro dollars have made it easier for Muslims to repair and build new mosques. During Tito's reign, over 1,000 mosques

were built, largely through donated funds from abroad, particularly from Saudi Arabia, Libya and Kuwait. By contrast, very few churches have been built, and many destroyed. (Some other authorities disagree with this assessment.)

Throughout the country, there has been a religious revival among the young during the past 5 years. In Croatia, this revival has combined with nationalistic fervor among Catholics.

The Orthodox church is the largest, with approximately 12 million adherents. It possesses four seminaries, and one faculty of theology. Before World War II there were approximately 7 million Orthodox served by about 3,000 priests. Today, with 12 million believers, the Orthodox church possesses only 2,500 priests.

FOREIGN POLICY

Relations With the Soviet Union

Relations between Yugoslavia and the Soviet Union have been described as "a delicate hostility." Despite their shared ideological heritage, since 1948 Yugoslav leaders have seen the Soviet Union as their most serious external security threat. With Khrushchev's Belgrade Declaration of 1955, Moscow renounced force or the threat of force or any other interference in the internal affairs of Yugoslavia.

However, Yugoslav armed forces are still geared primarily to defend the country against a military threat from the East. There has been no overt evidence of such a threat since the 1950's, but that may be due in part to the credibility of Yugoslavia's determination and ability to defend itself. Yugoslavia does not share a common border with the U.S.S.R. Although it does border on three Warsaw Pact states (Bulgaria, Romania, and Hungary), it also has two NATO neighbors (Italy and Greece), and a long coastline in a strategic position on NATO's southern flank.

Political relations between Belgrade and Moscow are ambiguous. Marxist ideology has been more a source of discord than amity between them. After failing to overthrow Tito in 1948, Stalin expelled Yugoslavia from the Soviet bloc. While acknowledging that there could be "many roads to communism," Khrushchev declared Yugoslavian communism "revisionist," and sharply criticized it for years. Yugoslavs were alarmed by the Soviet invasion of Czechoslovakia in 1968 and feared that the resultant "Brezhnev Doctrine" might some day be applied to them. Yugoslavia pointedly maintained ties to China in the Sino-Soviet power struggle of the 1970's, and condemned the Soviet invasion of Afghanistan. Khrushchev's successors have been ambivalent toward Yugoslav communism. They clearly have no use for its economic policies that emphasize decentralized worker self-management, and increasing economic ties to the West. However, in recent years Moscow has muted its ideological criticism. The new Party Program adopted at the 27th Soviet Communist Party Congress in March 1986 finally dropped the charge of revisionism against Yugoslavia.

As one of the leaders of the non-aligned movement, Yugoslavia has been an outspoken opponent of colonialism. On Third World issues, Yugoslavia has frequently supported positions sharply criti-

cal of the U.S.S.R., although it has also often sided with the Soviet Union against the United States. Yugoslav and Soviet political, economic, and even military officials regularly exchange visits, but Tito and his successors have been careful to avoid too close an embrace of the Soviet Union.

Trade

The most important area of bilateral cooperation is trade. The U.S.S.R. is Yugoslavia's largest trading partner, and Yugoslavia ranks number eight among Soviet trade partners. Total trade turnover between the two in 1985 was valued at about $7.5 billion, and is expected to increase at 5%–6% annually for the next 5 years. It is entirely on a barter basis, with goods of roughly equal value being exchanged. Some fear that the weakness of Yugoslavia's economy may make the country increasingly dependent on this trade, at the expense of its independence. So far, Moscow does not appear to be asking for political concessions. Yugoslavia has never made economic concessions for political benefit, even though their refusal to acquiesce has cost them dearly in the past. From 1949 to 1953 they suffered a total embargo by the Warsaw Pact.

Yugoslavia's foreign trade orientation reflects its non-aligned political position between East and West. The country has observer status in the Organization for Economic Cooperation and Development (OECD), full membership in the General Agreement on Tariffs and Trade (GATT), and a unique "limited participation" arrangement with the CEMA countries of the Soviet bloc and with the EEC. In 1985, 51% of Yugoslav exports were absorbed by the socialist countries, 35% went to developed OECD countries and 14% to less developed nations. In the same year, 46% of Yugoslavia's imports came from OECD countries, 32% from socialist countries and 21% from the developing world. Yugoslavia's largest trading partner is the Soviet Union, which is an important supplier of energy resources and raw materials. West Germany, Italy, and the United States are Yugoslavia's other most important trading partners. Yugoslavia has begun to move into new markets with these major trading partners with new ventures such as the "Yugo" automobile in the United States.

Acting Foreign Minister Loncar expressed concern that Western COCOM regulations would become more strict, and that Yugoslavia would suffer the consequences in terms of its trade balance. Dr. Mijat Sukovic, President of the Foreign Affairs Committee of the Federal Chamber of the Federal Assembly echoed that fear. Citing Yugoslavia's non-aligned, independent status, he argued that Yugoslavia had already offered "very great guarantees" for the protection of sensitive technology, and that Yugoslavia is "under no obligation" to give technology to the Soviets. Apparently, the Yugoslavs are concerned about future adjustments in COCOM, and they are unclear as to what else might be expected of them. Nevertheless, they are amenable to "concrete talks on this issue."

In 1984 Yugoslavia revised its joint venture law to include somewhat more liberal provisions to help attract foreign investors. Changes included the abolition of the 49% limitation on foreign participation and removal of ceilings on repatriation of the foreign

partner's share of earnings. Out of approximately 150 joint venture contracts now in force, 29 involve U.S. companies and 12 others involve U.S. subsidiaries.

Acting Foreign Minister Loncar told our party that Yugoslavia's trading goal is the following breakdown: 45–48% with the EEC, the U.S. and Japan; 38% with the Eastern bloc; and 14% with the lesser developed countries.

Mr. Milos Milosavljevic, Vice-President of the Federal Executive Council and Deputy Prime Minister, discussed business and trading opportunities in some detail. He characterized future opportunities as excellent, with the main avenues lying with longer-term links between businesses themselves. Specifically, he argued that joint ventures were not yet used to the maximum, and that tourism was an obvious growth field, particularly in the services and investment sectors. In this regard, we had an excellent meeting with the Honorable Tomislav Milkovic, the Mayor of Dubrovnik, who emphasized the importance of joint investment in hotels, resorts and package tours.

Both Mr. Milosavljevic and Mr. Loncar stressed the need for active American assistance in their country's economic development. Specifically, in addition to attention to their worries about further COCOM regulations, Mr. Loncar asked for the following: help in developing more beneficial conditions with EEC trade, assistance in debt relaxation (preferably an installment payback calibrated to export earnings), priority assistance for its export-oriented industry, and further involvement with its emerging high-tech industry.

U.S. Policy

The United States has a strong interest in maintaining Yugoslavia's independence from the Soviet bloc, and we actively encourage the evolution of greater pluralism. Yugoslavia enjoys Most-Favored-Nation status in its trade with the United States. Bilateral trade turnover in 1985 grew by 25% over the previous year to $1.2 billion (including $22 million in military equipment), making the United States Yugoslavia's sixth largest trading partner. This trade, plus Yugoslav dependence on U.S. help in coping with its foreign debt problems, provides access to the Yugoslav leadership and a measure of influence on economic questions. The United States supports the promotion of greater tolerance of political debate and dissent, and the administration regularly has expressed greater concern in this area with mixed results. The government in Belgrade resents this "interference" and denies that there are prisoners of conscience. It also has only limited means to control the police activities of the various republics, but there has been relaxation in some cases in response to Western and internal criticism.

ROMANIA

Introduction

As in most of Eastern Europe, the Communist government installed in Romania by the U.S.S.R. after World War II still lacks broad popular support and legitimacy. However, its government is

accorded some legitimacy for its celebration of Romanian nationalism, which is historically anti-Russian and inherently anti-Soviet. Memories of the Soviet annexation of Bessarabia (now the Moldavian Soviet Socialist Republic) from Romania in 1945 are still alive, and contribute to Romania's somewhat independent policy line.

Romania is unique among East European states in several respects. Romania's foreign policy has been more independent of the Soviet line than that of any other Warsaw Pact member for some time, and this is a frequent source of irritation to Moscow. In addition, Romania has been responsive to Western pressure to grant greater emigration, allowing 154,000 citizens to emigrate since 1976, the highest emigration total of any state in the Soviet bloc. President Ceausescu's regime remains one of the most repressive in Eastern Europe. Due mainly to poor planning and mismanagement, the Romanian economy is in severe distress, and living standards have fallen sharply. Many observers see the possibility of instability in Romania.

Capsule Summary

Demography.—Romania is slightly smaller than Oregon, with a population of 22,830,000 (July 1986). About 88.1% of the population is Romanian; approximately 10% Hungarian; 1.6% German; with the remaining 2.4% composed of Ukrainians, Serbs, Croatians, Russians, Turks, and Gypsies. About 80% of the population is Romanian Orthodox, 6% Roman Catholic, and 4% Calvinist, Lutheran, Jewish, and Baptist.

The Economy.—Romania's GNP was $117.6 billion in 1984 (1984 dollars), with a per capita GNP of $5,200. The GNP real growth rate in 1984 was 4.3%. Romania is a net exporter of corn, wheat, oilseed, cattle, hogs, and sheep.

Trade.—Romania exported $12.6 billion (fob) of goods in 1984. Of this, 32% was comprised of machinery and equipment; 28% fuels, minerals, and metals; 16% manufactured consumer goods; 12% agricultural materials and forestry products; and 12% other.

Romania conducted 48% of its trade with non-Communist countries, and 52% with Communist countries, in 1984.

The Military Budget.—The military budget announced for the fiscal year ending December 31, 1985, was 12.3 billion Leu, or 3.4% of the total budget.

BACKGROUND

History

Romania has had 22 centuries of violent and dramatic history. From about 200 B.C., when it was first colonized by the Dacians (a Thracian tribe) to modern times, this territory had been the scene of many invasions and migrations that have left their mark on the country and its inhabitants.

Before the postwar Communist regime, Romania looked to the Western countries, particularly France, for cultural, educational, scientific, and social inspiration and development. Among the Balkan countries, Romania was considered the most Gallicized; the French language, along with Romanian, was compulsory in the

schools. In 1948, the Russian language and Soviet institutions supplanted Western influences in Romanian cultural life. Since the late 1960's, however, Russian has not been compulsory, and German, French, and English are widely taught in schools.

Romania was an independent kingdom from 1881 until December 30, 1947, when the Communist-dominated government forced the abdication of King Michael. Before 1938, Romania had a series of governments dominated by a landowning aristocracy, based only nominally on a liberal constitutional system, with a de facto limitation of suffrage. In the 1930's, an anti-Semitic, anti-Soviet Fascist Iron Guard movement threatened the government, which was taken over in 1940–41 by the authoritarian General Antonescu, who outlawed the Iron Guard. In June 1941, Romania entered World War II on the side of the Axis Powers, largely to recover Bessarabia and Bukovina, which had been taken by the U.S.S.R. in 1940.

A coup led by King Michael and organized by opposition politicians and Soviet intelligence agents, with support of the army, deposed the Antonescu dictatorship on August 23, 1944. An armistice was signed on September 12, which brought Romanian forces into the war on the side of the Allies against the Germans in Transylvania, Hungary, and Czechoslovakia. Romania, which had suffered extensive losses in the war against the U.S.S.R., incurred additional heavy casualties.

A peace treaty, signed in Paris on February 10, 1947, confirmed the Soviet annexation of Bessarabia and northern Bukovina and ceded a largely Bulgarian-populated area of southern Dobrudja to Bulgaria. It also reincorporated into Romannia that portion of northern Transylvania granted to Hungary in 1940 under German and Italian arbitration between Romania and Hungary. In addition, the treaty required the payment of substantial war reparations by Romania to the Soviet Union.

The Communist Take-Over

Soviet occupation forces supported Communist organizers, and the non-Communist political leaders were purged. In March, 1945, King Michael was forced to appoint a Communist-front government. The King abdicated under pressure in December, 1947, when the Romanian People's Republic was declared. With their accession to power, the Communists effectively subordinated national Romanian interests to those of the U.S.S.R.

Since the early 1960's, however, there has been a resurgence of Romanian nationalism and several significant foreign policy differences between Romania and the Soviet Union have arisen. A new constitution was adopted in 1965, and the name of the country was changed to the Socialist Republic of Romania. In 1968, a sweeping reorganization of the administrative structure and territorial division was carried out. The new territorial division was reminiscent of that existing before the imposition of the Soviet-style system.

The Ceausescu Dynasty

One of the motives behind Ceausescu's independent foreign policy is to win popular support for this regime. This may have had

some success in the past, but his regime has become increasingly unpopular, not only because of the economic crisis, but for political reasons. The adulation of Ceausescu in the media has become an object of public ridicule. Similarly, the program to memorialize Ceausescu's leadership with a grandiose "urban renewal" program is seen as despoiling the center of oldtown Bucharest, as architecturally grotesque, and as a squandering of resources in a period of austerity.

Ceausescu's elevation of his wife and son as top political leaders and possible heirs apparent is odious not only to the general public, but—on ideological grounds—to many earnest Communists as well. Ceausescu has rotated party and state officials at an increasingly hectic pace, and in so doing, has successfully prevented any of them from building up a power base from which to challenge him.

THE ECONOMY

1985 was a crisis year, the worst Romania has experienced since World War II. Instead of improving upon the 1981–85 plan fulfillment, economic performance in 1985 registered further setbacks that had direct repercussions for the public's standard of living. In the 1950's and 1960's Romania was an agricultural exporter and a country whose living standard compared favorably with the Soviet Union's, but since 1980 Romania has become a country where even basic foodstuffs are rationed, and often simply unavailable. Its living standard has sunk to the lowest in Europe, save Albania. Romania's annual per capita income is now approximately $2,600–$3,000.

The poor economic performance in 1985 further reduced the public's standard of living. The extremely severe winter energy crisis of 1984–85, and the winter energy crisis of 1985–86, led to severe disruptions in industrial production and even more drastic cuts in domestic energy consumption; private car traffic was even suspended for 2 months. In October, 1985, the RCP Political Executive Committee ordered a state of emergency and the militarization of the energy producing sector. The outputs of the mining, manufacturing, and agricultural sectors also were down from the 1984 level in 1985 and 1986. Yet, this crisis did not cause President Nicolae Ceausescu to cease allocating an excessively large proportion of aggregate output to investment, nor to cease suppressing demands for economic reform.

Economic and political conditions are a source of widespread despair in Romania. The scarcity of energy, durable goods, and food is compared to wartime and immediate postwar conditions or to those of a less-developed Third World country. Military control has been imposed over certain sectors of the economy, such as energy.

The decline in the standard of living—caused by poor planning and mismanagement of the economy, and the austerity measures resulting from Ceausescu's decision to rapidly retire the foreign debt—is shocking to foreign visitors and to Romanians. Similarly, some of President Ceausescu's "reform" plans are mind-boggling, such as his announcement earlier this year that Romania would be returning to horse traction in the agricultural sector to boost production. My staff and I personally saw the thinnest horses we have

ever seen pulling plows within a mile of Bucharest's modern airport. That image, and the food lines we saw in the midst of summer, clearly conveyed Romania's desperate economic straits.

Ceausescu distributes blame everywhere but at his own doorstep. However, because of his extensive personal control and pervasive cult of personality, he is seen inevitably as responsible for this sorry state of affairs.

Romania's only "success story" in 1985 was the reduction of its gross foreign debt to $6.3 million by October. However, the adverse repercussions of a trade policy that consisted of sharply reducing hard currency imports and in exporting whatever could be sold for convertible currencies (mainly food and petroleum products) proved largely counterproductive, because key industries and agriculture were starved of inputs.

Ceausescu's austerity policy, aimed at repaying Romania's foreign debt by 1987, has exacted significant human costs. Private cars have been banned on the roads, all cinemas are closed at 5:00 p.m. and restaurants at 9:00 p.m., and there is rationing of staple food items like cooking oil and sugar. Electricity is regularly shut off during surgical operations, and dozens of incubators are disconnected resulting in infant deaths—in even the best hospitals, and even in party families.

The Urban "Renewal" Scheme

With its broad boulevards and cafes, Bucharest was once known as a little Paris. Now, residents joke that "Bucharest is the new Beirut." Romania's capital city doesn't suffer from a civil war, but from massive urban redevelopment. Work on a new subway system has transformed the largest downtown squares into huge holes, and the old historic city center looks even worse. After being torn down for the construction of new public housing and a palace for President Nicolae Ceausescu, it has turned into a large sea of mud and concrete.

Such "renewals" are poor investments, squandering precious resources and destroying important historical districts. The new seven-story prefabricated concrete apartments rising amidst the rubble replaced a neighborhood of 70 small winding roads and 9,300 houses, many dating from the 18th century. The destroyed area was the most picturesque quarter of the most picturesque city in the Balkans. Even the sleek new subway system is a dubious project from the standpont of resource allocation, despite the need for better transportation. All of its parts were produced domestically at infinitely higher cost than foreign purchases. Such examples illustrate the irrationality of Romanian economic planning.

Unfortunately, President Ceausescu and the Communists have not been unique in despoiling Romania's heritage. In the 1930's, King Carol demolished a large section of town to make way for his own palace. So, even before the Communists and Ceausescu took over, the Paris of the Balkans resembled Beirut, in part. However, as residents told us, "At least King Carol published plans showing 'where the destruction would stop.' Today, nothing is published. You wake up one day and the bulldozers are there."

Of greatest concern to many in the West is the destruction of church buildings. Ten places of worship have already been destroyed as part of urban renewal. This wanton destruction has alienated many consistently strong supporters of Romania's MFN status. Indeed, I specifically asked President Ceausescu to protect the "Spanish Synagogue," the last surviving Sephardic Jewish synagogue in Eastern Europe. He assured me that it would not be destroyed; yet, within a month of my return, the synagogue was destroyed on the eve of the Senate Finance Committee's hearings on the renewal of MFN. Similarly, a Seventh Day Adventist church was demolished in Bucharest on August 7. That demolition prompted Ernest Gordon, President of CREED, to write a protest letter to the Romanian Ambassador in Washington:

> "You will recall that I have encouraged a considerable number of Members of Congress to favor the granting of MFN status to your country. In doing so I have been regarded with disfavor by the group of Congressman opposing such action. My credibility has been further reduced by the demolition of . . . the largest Seventh Day Adventist Church in Bucharest. . . . What is more, this act was marked by extreme callousness on your Government's part by the fact that worshippers were in the building at the time. A number of them were injured.
>
> This infamous act destroys the balance of good-will for the Romanian government that Senators such as Jack Danforth and Mark Hatfield have worked so patiently to achieve in cooperation with John Crossley and myself."

Criticism of the Regime Increasing

Although the population has traditionally been passive and subdued, resistance to—and criticism of—the regime has increased, despite greater police surveillance and the regimentation of many sectors of public life. The urban "renewal" scheme has provoked a genuine protest among Romanians. There is no underground press, but critical essays attacking the demolitions and construction projects are circulating. More immediate family concerns also worry Romanians. With their wages reduced, the bulk of Romanian workers have resorted to passive resistance at work with attendant drops in productivity. Absenteeism, drinking, and the fluctuation of the labor force, particularly in key sectors such as mining and energy, have reached disquieting proportions. Such dissatisfaction is likely to increase. The overly-ambitious targets of the growth plan for 1986 will result in a reduction in state pay for wages. The pay system introduced in 1983 abolished guaranteed wages and now pegs earnings to plan performance.

There was also widespread public dissatisfaction with a new law publicized in August 1985 forcing all citizens to make compulsory labor and financial contributions to public work projects. Moreover, Ceausescu's plan, disclosed in September 1985, to resettle pensioners in the countryside aroused considerable anxiety and misgivings. These worries continue into 1986, as shortages of food and health care combined with austerity and the general economic malaise led

to a deliberate or tacit shortchanging of the elderly by the government.

Over the past year and a half, there has been thinly veiled criticism of Ceausescu's regime (repeatedly likened to a totalitarian dictatorship) from a number of writers, including Augustin Buzura, Bujor Nedelcovic, Ana Blandiana, and Ileana Malancioiu. Moreover, writers belonging to the Hungarian and German minorities have become more open in protesting their increased harassment.

In mid-December 1985 reports of peasant riots reached the West. The peasants apparently refused to deliver the high quotas required for the state fund and raided grain silos. Army and security troops were said to have moved against the rioting peasants, many of whom fled to neighboring Yugoslavia. Other peasants tried to conceal part of their harvest from the authorities. A winter of more than passive discontent confronted the regime in 1985–86, but U.S. Embassy officials saw no overt signs of violence.

There is also opposition to Ceausescu's austerity policy inside the party and state hierarchy. At the Communist Party plenum in November, 1985, Ceausescu admitted that there was pressure to allow private ownership again as a remedy for the economic crisis. While Ceausescu is still in control of the Political Executive Committee, he seems to have met with some resistance in the Central Committee. Opposition to Ceausescu's policies seems not to be limited to domestic issues only: at least one of his disarmament proposals (on the unilateral reduction of Warsaw Pact military expenditures and troops) failed to receive party endorsement.

HUMAN RIGHTS

Romania's observance of basic human rights continues to be poor. Romania's President, the Party, the Government of Romania, and its internal security apparatus tolerate no significant opposition. All forms of mass media are tightly controlled. About one out of four Romanians is alleged to be a police informant.

One of the ways Ceausescu maintains power is through the repressive policies of his internal security forces, over which he and his family exercise strict control. Many observers consider Romania the most repressive of Moscow's Warsaw Pact allies. Public dissent or criticism of the regime is punished harshly. Human and civil rights receive little respect. The regime presumes the right to regulate all affairs. For example, to counter the declining birth rate, authorities have instituted a vigorous anti-abortion campaign, with female workers forced to undergo bimonthly pregnancy tests and physical examinations to insure that pregnancies are discovered and carried to term.

In the late summer of 1985, President Ceausescu floated a plan to resettle some categories of pensioners in the countryside in order to lessen the effects of the economic crisis in the cities. A public outcry—both in Romania and in the West—was generated, and apparently induced reconsideration of the idea. However, various municipal officials still refer to the plan in disquieting terms, and frequent reports from Romania indicate that it has become increasingly difficult for the elderly to receive adequate medical care and

housing. Many suggest that this is a tacit effort to encourage the elderly to leave the cities.

Minority Persecution

Romania's minority populations of Hungarians, Gypsies, and Germans, among others, live in a country infused with Romanian nationalism. School texts, history books, and the mass media purvey a Romanian version of history which often ignores or belittles the role these minorities have played in Romanian history. Although some basic schooling is still available in minority languages, recent administrative measures have made it increasingly difficult for minorities to obtain higher education in their ethnic culture, generating discontent among Hungarians and Germans. The imposition of the Romanian language on the minority nationalities is especially resented, particularly by the Hungarians. There is little evidence of economic discrimination.

Hungarians are the largest minority, numbering some 2 million (about 10% of the population), and they clearly suffer the most, largely due to historical antipathy. They are not allowed to emigrate to Hungary, as Jews and Germans are allowed to emigrate to Israel, the Federal Republic of Germany and the United States. Ethnic Germans also face difficulties, however. For the roughly 250,000 ethnic Germans who remain in Romania, the decline of the once flourishing German schools, cultural institutions and periodicals is worrisome. The teaching of German is being dropped in more and more educational institutions and German is reported to have been replaced by Romanian as the language of instruction for some of the classes in the remaining German schools. Reports have also reached the West of the intimidation and even imprisonment of ethnic German intellectuals. Germans who do manage to secure a passport for emigration still have to pay stiff bribes for their exit papers.

The Elderly

During hearings before the Committee on Foreign Relations in February, 1986, which I chaired, we heard allegations that elderly Romanian city dwellers might be forcibly moved to the countryside. The apparent source was a speech made by Ceausescu last fall before a national conference of local and county officials.

While in Romania, I asked my staffers, Darrell Sawyer and Carol Hansen, to assess the potential for implementation of this policy. Apparently, this suggestion, and another mentioned in the same speech (a network of community canteens to replace private kitchens), were trial balloons launched by Ceausescu that have never gotten off the ground. There is no evidence of a new law or decree affecting the elderly, or any indication that organized resettlement has occurred. In addition, none of the usual laudatory press reporting that inevitably accompanies major policy departures has been seen. Unlike the "community canteens" suggestion, which received considerable Government publicity, there was apparently only one story in a local newspaper that praised the resettlement notion.

Romania's elderly are still in Bucharest and in other major urban centers, but they now have more serious problems to face

than potential resettlement. In Bucharest, they have been among the thousands displaced by the urban renewal schemes, and are finding great difficulty in securing state-assigned alternative housing in adjacent suburbs. Our Embassy reports that they are being offered little or nothing. Like most of the dispossessed, the urban elderly make do by sheltering with relatives, taking illegal subleases, or moving back individually to country villages where they have relatives.

Similarly, the elderly have faced difficulties in securing necessary medical services. The precarious state of the economy has forced municipal authorities throughout the country to cut back on services. The elderly have been an easy target, and they have suffered disproportionately. The U.S. Embassy cites numerous reports indicating that hospitals are now regularly turning away elderly patients, or accepting only those so ill that they will die quickly. Similarly, there are numerous reports from Romanians that ambulance service is routinely refused to persons over the age of 60. Due to fuel shortages, ambulance service is now apparently restricted to mothers in labor, major emergencies, and children over the age of 1. The Embassy indicates that this is not necessarily a national policy, but that it is certainly widespread. In sum, widespread shortages of food, medicine, ambulance service and hospital beds are factors that will make it even more difficult for the elderly in the future.

In addition, there is a new law on "self-financing," one section of which sets new, higher minimums for the "patriotic contributions" of unpaid labor, services and funds that each citizens must give to the state each year. The law allows exemptions for medical reasons, but makes no exemption for the elderly. Another section of the law fixes a minimum, but not a maximum, age for those who must donate labor and money to the state.

In sum, it is likely that services for the elderly will continue to decline, unless the economy improves dramatically. In addition, displacement of the elderly (and others) is likely to occur even more as "urban renewal" schemes and rural redevelopment continue. As long as housing remains in short supply in many areas, the elderly are likely to be low on the government's list for new, alternative housing. There also remains the possibility that the elderly might be relocated at some future date in areas such as Zimnicea (south of Bucharest near the Danube) and Slobozia (due east of Bucharest on the Ialomita River) that have recently been rumored as possible resettlement locations. Both of these communities were substantially destroyed during the 1977 earthquake, but have been rebuilt with foreign assistance. Both cities are greatly underpopulated.

EMIGRATION

The Romanian Government officially opposes emigration. It allows a substantial number of departures under the rubric of family reunification, although it seeks to hinder these in order to reduce overall interest in emigration. It also allows relatively large numbers of departures of ethnic Germans to West Germany, and of Romanian Jews to Israel. (Since World War II, emigration to Israel has reduced the Romanian Jewish community from 400,000 to

under 30,000.) In recent years, the Romanian Government has approved more departures of people qualified to go to the United States than we have been able to accept promptly. Emigration to the United States continues to be substantial, but approvals are subject to lengthy delays and there remains a significant backlog of cases of people eligible to enter the United States. The Romanians in the past also approved larger numbers of applications of people unqualified to enter the United States, creating severe hardships for those people.

In 1985, 17,312 Romanians emigrated, compared to about 1,800 from the Soviet Union. However, Romanian authorities still impose unreasonable obstacles to emigration, such as specific harassment of applicants and excessively long and complex application procedures. There were allegations of a new twist in 1984 and 1985: Romanian authorities were said to be intentionally granting exit visas to people known to be ineligible for admission to the United States, while withholding visas from many well-qualified would-be emigrants, and claiming that U.S. immigration policies are to blame for lagging emigration. New procedures negotiated by State Department Counselor Edward Derwinski in 1985 have begun to resolve these problems.

Along with China and Hungary, Romania has gained Most-Favored-Nation (MFN) status, which allows it the lowest applicable U.S. tariffs, through procedures laid down by the "freedom-of-emigration" amendment (Jackson-Vanik) applicable to "non-market economy" countries. The maintenance of this status since 1975 has been contingent upon the continued existence in force of the Presidential waiver of full compliance with the freedom-of-emigration requirement and of the bilateral agreement containing the reciprocal grant of the MFN status. The waivers are subject to annual renewals, and the agreements to triennial extensions (automatic unless denounced). Access to credits and credit guarantees or insurance extended by the Export-Import Bank of the United States is also contingent upon the Presidential waiver. In addition, the Jackson-Vanik waiver also allows Romania access to all Commodity Credit Corporation credit facilities. Conditional trade relations agreements are also in force with the United States, subject to conditional MFN treatment.

During the past decade, I have keenly followed the positive impact of the Jackson-Vanik "freedom of emigration" amendment. I am convinced that it is one of the most useful tools that we have yet devised to encourage the promotion of emigration as an alternative for dissidents unable to live under Communist rule. Jackson-Vanik also had the additional utility of serving as a regularly applied lever for improving human and religious rights performance, even though it legally was intended only to increase emigration.

Jackson-Vanik's greatest success is clearly the case of Romania. Over the past decade, through June 30, 1986, 155,253 people have been allowed to emigrate from Romania. The total of legal departures from Romania since 1975 has exceeded the combined total of departures from the U.S.S.R., Bulgaria, Czechoslovakia, and Hungary—countries with 13 times the population.

I consider this to be success on an incredible scale in bilateral terms, in geopolitical terms, and certainly in terms of human lives.

Few, if any, of these departures would have occurred had the threat of withholding MFN not been such a successful element of persuasion for a state perpetually on the brink of economic disaster. All of my conversations with religious and human rights activists in Romania, as well as the conversations my staff had with these and similar individuals, confirmed that assessment.

Nevertheless, more progress needs to be made. I am convinced that the yearly renewal of MFN will be of great help in achieving further advances in emigration performance. Specifically, there are a variety of Romanian emigration procedures that have been of concern for many years. For example, once emigration permission occurs, applicants are typically required to show that they have divested themselves of all real property—at limited, state-established rates. Some face eviction, and applicants are often demoted or fired. Other employment is offered, although this sometimes means digging ditches in a distant city, cutting wood in a forest, or farm labor in the provinces without provision for family accommodations at the job site.

Most who are granted exit permission are officially given the opportunity to renounce Romanian citizenship. If they do, they automatically become stateless persons, thus losing employment, housing, and entitlements to medical care, schooling, and coupons for rationed food items. Access by visa applicants to the U.S. Embassy in Bucharest is restricted; even some properly documented American citizens have encountered difficulties in reaching Embassy personnel. These are all areas where further progress should be made, and I feel convinced that the annual renewal of MFN and Congressional oversight should be of assistance in this regard.

RELIGION

Romania is officially atheist and religious practice continues to be severely circumscribed, despite the constitutional guarantee of freedom of religion. The Orthodox Church is the dominant faith, enjoying the privilege of being less discriminated against than most others. All religious activities must be licensed by the state. Some Protestant congregations or individual pastors of the Baptist, Pentecostal, and Jehovah's Witnesses faiths have been denied licenses and are severely repressed. Paradoxically, non-recognized faiths continued to function regularly in most cases.

Religious activity is restricted to the 14 denominations officially recognized by the Government. These include the Romanian Orthodox, Roman Catholic, Hungarian Reformed, Unitarian, German Lutheran, Baptist, Pentecostals, Seventh Day Adventist, and Jewish. Attempts to gather for worship by members of other faiths are treated as "illegal assemblies," with participants sometimes arrested and fined. Among denominations refused recognition by the Government are the Church of the Latter-Day Saints (Mormons), the Uniates, the Nazarenes, the Christian Scientists, and the Jehovah's Witnesses, among others.

Romania's 14 officially recognized religions are administratively supervised by the Government's Department of Religious Affairs, which subsidizes salaries of the country's clergy (although the Baptists do not accept official subventions). It also approves building

permits, seminary admissions, and the printing of religious materials. The degree of authority exercised by the Department of Religious Affairs varies among the religious groups. Unrecognized religious groups are discouraged through harassment and intimidation.

The growth of "Neo-Protestant" religions—Pentecostals, Evangelical Brethren, and unofficial Baptists—during the last 15 years has led to continued friction with the government. Official attempts to discourage these groups are stimulated by their insistence on the primacy of religious belief over state authority in matters of conscience.

Conversations With Church Officials on the Utility of MFN

The strongest challenge to Romania's MFN status this year has been posed by those who wish to suspend or terminate Romania's MFN status primarily on the grounds that Romania's performance on religious rights has been poor. I have worried about such action primarily because it fails to address the legislation and issue in question—the Jackson-Vanik amendment and freedom of *emigration*, not religion. This mixing of "apples" and "oranges" muddles the legislative and executive process, severely jeopardizes the conduct of our bilateral relations with Romania, and acutely worries the other East European states that want to expand links with the West and somewhat distance themselves from Moscow. Moreover, it calls into question every other quid pro quo that we have negotiated with the more responsive East European states.

Nevertheless, as I mentioned above, the yearly renewal of MFN has offered the opportunity for the United States to forcefully make the case for greater religious and human freedoms. Thus, I was eager to investigate whether MFN had been helpful in promoting religious freedoms, as the administration argues, or if it was useless, as the proponents of legislation to suspend or terminate MFN contend.

This visit convinced me that there is much to lose and nothing to gain from suspending or terminating Romania's MFN status. The single most helpful element in my investigation was my series of conversations with Romanian religious leaders. All of the senior religious leaders in Romania told me that the loss of Romania's MFN status would be detrimental to the process of promoting greater freedom of worship in Romania. Further, each one, when queried, stated specifically that religious and human rights are promoted by the annual Congressional hearing process. Specifically, we were told that more progress has been made over the past 10 years—through MFN—than in any other time during the post-WWII period. I believe that these courageous and influential churchmen with whom my staff and I met are in the best position to judge the utility of MFN in promoting religious and human rights:

His Beatitude Dr. Justin Moisescu, Patriarch of the Orthodox Church (now deceased);

The Very Rev. Bishop Vicar Nifon M. Ploiestianul, Secretary for Foreign Relations at the Patriarchate, the Romanian Orthodox Church;

Rabbi Dr. Rosen, Chief Rabbi and President of the Romanian Jewish Community;

The Rev. Dr. Ioachim Tunea, Secretary for Foreign Relations, the Romanian Baptist Union;

The Rev. Mihal Husanu, President of the Romanian Baptist Union;

The Rev. Dr. Vasile Talpos, Secretary of the Baptist Union;

Rt. Rev. Dr. Ioan Robu, Bishop of Celle, Apostolic Administrator of the Roman Catholic Archdiocese of Bucharest;

Rev. Dr. Nicolae Gheorghita, Pastor, the Second Baptist Church of Oradea.

The agreement to print Protestant bibles in Romania should eliminate one abuse that has inflamed Americans most: arrests and harassment for "bible smuggling," which peaked in 1985. Many Americans were particularly incensed in late 1985 when the State Department's semi-annual report to Congress on compliance by Soviet bloc countries with provisions of the Helsinki Accords revealed that five persons were sentenced to terms ranging from 10 months to 7 years during the last 6 months of 1985 for "bible smuggling."

FOREIGN POLICY

Romanian ideology emphasizes the primacy of nationalism in foreign policy. This, Romania promotes good trade, diplomatic, and military relations with all manner of countries. Its fundamental orientation is of an independent-minded, socialist, developing country and as such, it often takes positions on key international issues close to those of China and Yugoslavia.

Relations With the Soviet Union

Soviet-Romanian relations show aspects of tension as well as cooperation. Romania remains a maverick within the Soviet bloc: e.g., it refuses to allow Soviet troops to be stationed on or to conduct exercises in Romania, and it has demanded unilateral Warsaw Pact defense spending and troop cuts. It also pointedly schedules high-level military contacts with non-Warsaw Pact states; since January 1985, its military leaders have met with the United States, China, Jordan, Somalia, Yugoslavia, and Thailand, as well as with Warsaw Pact states. It also maintains diplomatic relations with Israel. Under Tito there were regular state visits with Yugoslavia and talk of grandiose economic ties, but the Romanian government did not follow through with these activities. It has criticized Soviet policy in Afghanistan, and, in the past, has guardedly criticized particular Soviet arms control initiatives. On the other hand, it has been alleged that the Romanian intelligence services reportedly cooperate closely with their Soviet counterparts. Romanian authorities were very hostile to the Solidarity movement in Poland, and were apparently fearful of potential unrest in Romania. Given the economic crisis, however, Romania apparently needs Soviet economic assistance, which some believe undermines Ceausescu's ability to resist pressure from Moscow.

Many supporters of America's MFN extension to Romania point to Romania's increasing energy dependence on the Soviet Union

and its increasing trade ties with the U.S.S.R. as a dangerous trend in the making. They argue that Romania's continuing economic crisis may inevitably lead to greater Soviet influence over Romania, especially if Western trade and investment ties do not continue to provide an alternative.

They point to the agricultural crisis that we witnessed and to foreign trade statistics just released by Moscow as indications of growing Soviet involvement. Romanian exports to the U.S.S.R. are continuing to rise, a trend that has been unfolding against the background of acute scarcities of staple foods in Romania. At the same time, other data point to a sharp decline recently in Bucharest's agricultural deliveries to the West and to the Middle East. By contrast, according to Soviet sources, Romanian food exports to the Soviet Union grew from a value of 158,000,000 rubles in 1983 to 184,000,000 rubles in 1984 to 349,000,000 in 1985, more than doubling in this 2-year period, and almost doubling in 1985 alone (with no price increase recorded). The share of foodstuffs in Romanian exports to the U.S.S.R. rose from 9.5% in 1983 to 15.3% in 1985. Roughly one-half of this value consisted of meat, of which Romania has become the U.S.S.R.'s largest foreign supplier.

Romania's emergence as a major food exporter to the Soviet Union is due mainly to Moscow's insistence that growing deliveries of energy and raw materials to the CMEA partners be partially compensated for in foodstuffs. Some Romanian food exports may also count as part of the country's contribution to joint energy and raw material projects on Soviet territory. Romania's food exports to the U.S.S.R. are still below those of Hungary and Bulgaria, but the economic and social costs of these deliveries are considerably higher for Romania because of the disastrous condition of the country's food supply and the fact that its agriculture is so much less efficient than that of its neighbors.

Recent trade figures also show an apparent shift toward the Soviet bloc, which the West finds worrisome and hopes to discourage. (As the nation's economic crisis deepens, absolute statistics have become even more difficult to obtain than in the past.) The Communist countries' share of Romania's foreign trade rose to 53.5% in 1983 from 36.7% in 1981. In 1984, the available figures show only that imports from the Communist bloc rose more rapidly than those from the West, while the proportion was reversed for exports. Administration officials argue, in part, for continuing MFN because they fear that such a trend might become permanent.

Despite these worrisome adjustments in trade and agriculture, Soviet-Romanian relations have not changed dramatically since Gorbachev's accession to power. Gorbachev, like his predecessors, must take a dim view of Ceausescu's independent foreign policy and his attempt to establish a family dynasty. In like fashion, Ceausescu's policies stress the primacy of Romanian national interests and oppose Gorbachev's attempt to enforce greater multilateral economic integration within the CMEA. For example, Ceausescu explicitly criticized Gorbachev's handling of integration within the CMEA. Ceausescu alone of Warsaw Pact leaders explicitly criticized Gorbachev's handling of the Chernobyl nuclear reactor accident, whose radiation caused direct economic loss to Romanian ag-

ricultural exports, and perhaps serious long-term health effects also.

Ceausescu, however, is careful not to overstep the bounds. His one-day working visit with Gorbachev in Moscow (May 16, 1986) provided evidence of bilateral tension as well as mutual recognition of the need to cooperate. Ceausescu wants more generous supplies of fuel, raw materials, and technology from Gorbachev, but on his own terms. He will probably be unwilling to make major political concessions to get them, i.e., abandon his independent foreign policy or his family dynastic plans. If this is the case, Gorbachev may have little incentive to bail Ceausescu out economically. As long as public order is maintained, Gorbachev may prefer to leave Romania's economic distress as an example of the cost of policies that are too independent. Then, too, since Romania is surrounded on three sides by Warsaw Pack members, it is not as strategically vital as are the GDR, Poland, or Czechoslovakia. Thus, Romanian policy may remain an annoying, but not dangerous, irritant.

My Meeting With President Ceausescu

The meeting with President Ceausescu lasted 2 hours and 40 minutes and could have gone on much longer except that our plane was scheduled to depart the country. I was accompanied by Ambassador Kirk. President Ceausescu was very animated, and even repeated his speech gestures again as the translater translated his remarks, despite the fact that he may not have understood what the translator was saying. President Ceausescu took great pride in explaining that in 1967 Richard Nixon had used the same chair in which I sat, and that Ceausescu had predicted he would become President.

Early in the conversation, President Ceausescu also emphasized how much he had done that was independent of the Soviet Union. He stated that a Vice Minister of Israel who recently visited his office had brought him a letter from Shimon Perez praising him for his treatment of Jewish people in Romania. He then gave me a lecture on arms control that was critical of the United States. I told him that I had recently completed a book on the Strategic Defense Initiative. He said that he was interested in reading it. I later sent him a copy, and also forwarded a copy to Ambassador Kirk.

President Ceausescu looked very healthy. There have been reports that he is sick, but he spoke for 2 hours and 40 minutes and was clearly the most vigorous man in the room at the end of it, at least in terms of outward appearance. He looked trim, not fat. There wasn't anything unhealthy about him that I could see.

We briefly discussed the five nuclear power plants that Canada is building in Romania. He said that they are critical in enhancing Romania's tenuous supply of electricity.

MFN

We then turned to the main items of discussion in our bilateral relations: Romania's MFN status. President Ceausescu said that there was no reason why it should not be renewed, but he emphasized that Romania would not change any of her policies for the sake of having it renewed.

Protestant Bibles

I told President Ceausescu that a main stumbling block to Romania's MFN renewal was his government's refusal to allow the printing of Protestant bibles (Cornilescu). He responded by saying that all petitions and applications for the printing of Protestant bibles that were requested through legitimate sources have been honored. I imagine that these "legitimate sources" meant organized churches, although he was not specific on this point. He did not attempt to reconcile how Romania had managed to "honor" these printing requests with the fact that Protestant bibles had not been printed in Romania since 1921.

I asked whether the provision of foreign hard currency would make the printing of bibles any easier, and whether or not he would object to the printing of bibles in that fashion. President Ceausescu indicated that they had an organized method for printing in their country, but that he was sure if foreign hard currency was brought into the United States to print articles advocating communism it would not be allowed. Both Ambassador Kirk and I disagreed, and were surprised at this strange response to what I considered a generous offer to help expedite the process of the bible printing. We indicated that articles could be printed in the United States advocating communism. President Ceausescu then resorted to a "what if" situation relating to an overthrow of the government. Ambassador Kirk and I recognized that this might be considered seditious in the United States, but there is clearly nothing comparable between the printing of bibles and the printing of literature on communism or on overthrowing the government. It was evident from these comments that President Ceausescu apparently feels that the groups who wish to print Protestant bibles are using it as an excuse to oppose his regime.

Destruction of Churches and Synagogues

When I raised the issue of the destruction of religious buildings, President Ceausescu became very angry, and refused to discuss the destruction of Protestant churches, preferring to concentrate on the treatment of Jews (who are treated remarkably well in Romania). He said that the number of Jewish people in the country had substantially declined and that there were empty synagogues all over. He also said that some industrial development and developmental projects simply require the removal of certain churches, synagogues, and other buildings for the purposes of building roads.

He did say that no more synagogues would be destroyed, and specifically stated that the noted "Spanish" synagogue would not be demolished. (A month after I left the country, and just before the Finance Committee hearing, it was torn down.) The Ambassador made more of that comment or promise by Ceausescu than I did, because he talked in a very animated way and through a translator. I did not know whether we could hold him to such a statement. It is now clear that it was a hollow promise.

Jewish Persecution?

At another point, President Ceausescu also became very angry. I said that some Jewish persons felt that there was some bad treatment of Jewish people in Romania. He paused for a long time, and later said that he had thought of breaking the meeting off at that point because he was so incensed. He emphasized that he had a memorandum from Shimon Perez praising him, that his record on Jewish rights was perfect, that he had done everything he could do, and that he was very insulted by my question.

He also argued that everything is not perfect in the United States. For example, the treatment of the black population was something he thought we could improve upon. Nevertheless, he argued that he was "not going to get into the internal matters of the United States."

Other Issues

I told him that I had delivered five points of discussion to the Foreign Minister on the previous day that detailed issues of great concern to the American Congress. He said that he was well aware of that.

I also praised the great hospitality that his staff had extended to us and I praised our host, the Vice Deputy of the National Assembly.

Our meeting ended with a photo session. President Ceausescu took what I was told was an unusual step of walking out to the front of the building with me.

I might add that Ceausescu's staff felt strongly that only the Ambassador and I should be in the meeting with the President. I am not sure whether or not this was for security reasons. At the beginning of the meeting several cameramen with television cameras took our picture. I do not know if these were strictly local cameramen or if they were from other countries.

Summary

In my opinion, several significant items emerged from our meeting: (1) Ceausescu's statement that Romania would not change its policies just to retain its MFN status; (2) Ceausescu feels that Romania has done more than any other country in the Eastern bloc or in Europe to be friendly to the United States; and (3) he believes the United States is blowing some very small things out of proportion, which leaves him puzzled and bewildered. Also, I was amazed at how sensitive he was on the Jewish question and the fact that he is very proud of his record regarding Jews. However, he did say that he had to deny the chief rabbi's (Rabbi Rosen's) request to send out certain ancient documents and certain historical records because he wants to keep them inside Romania. He also emphasized that the chief rabbi was a member of parliament.

His attitude during the meeting was one of feistiness—of friendliness mixed with combativeness. This was particularly evident when he asked rhetorical questions concerning the treatment of blacks in the United States, and with regard to the issue of foreign

currency being used to print Communist brochures in the United States. Most of these rhetorical questions he answered himself.

I found President Ceausescu to be more impressive than I would have thought. He speaks with a stutter, which brings him to a complete halt, but he works on the word until he can say it and then keeps on going. I admire his determination; it must have been difficult for him to overcome this stuttering, and to become self-confident enough to speak in public. His is a very visible stutter. He has to close his eyes slightly and wrestle with a word to get it out. It happens about every 3 or 4 minutes and it can sometimes happen if he gets very excited in the middle of a point. He just agonizes, relaxes, and sticks with the word until it comes out.

He is very proud of his past successes also. For example, he indicated that he had spent his time during World War II fighting for the freedom of the Jewish people and other religious groups and that he wasn't going to be told that he wasn't fair to believers.

Ambassador Kirk told me afterward that this was the first time President Ceausescu had stated publicly that he would not destroy any more Jewish synagogues. During the meeting, I did not receive the same impression of Ceausescu's definiteness on this issue as the Ambassador did. I thought that he spoke somewhat equivocally regarding the demolition of synagogues.

I also told President Ceausescu that I would not decide how I would vote on this issue until I had heard all the hearing testimony. I indicated that I would almost certainly vote an extension of MFN, as I have in the past, but should there be some new dramatic information I would certainly not go forward. I was careful to be noncommittal on this issue because I was afraid that the Romanians might use the meeting to distort my statement.

U.S. Policy

The granting of Romania's MFN status is part of a U.S. policy known as "differentiation." It has been pursued under various names by each administration since Eisenhower as a means of encouraging East European governments to distance themselves from Soviet foreign policy, to pursue liberal economic reforms, and to improve their human rights records. The United States promotes such developments with a variety of "tools." These include increased high-level diplomatic contacts, MFN status, Ex-Im Bank credit eligibility, and cultural and scientific agreements, among others.

Thus, the annual renewal of MFN prompts a debate between those who believe that differentiation is not working with those who see tangible progress, especially relative to what little would be achieved without it. Likewise, with regard to Romania's MFN status, an annual debate occurs between those who believe that emigration is insufficient or that Jackson-Vanik should be broadened to encompass human rights in general (including religious and cultural persecution), and those who feel that the MFN tool has both stimulated emigration under the terms of the law and provided some leverage on human rights issues. This latter group also tends to argue that Romania's precarious economic plight, par-

ticularly its increasing energy dependence upon the U.S.S.R., would be exacerbated by the removal of MFN.

The Reagan administration, and the three preceding it, have looked to Romania's relatively independent foreign policy as a significant factor in the evolution of Eastern European relations with the Soviets. They point to numerous examples of Romanian foreign policy as justifications for continuing Romania's MFN policy. For example, Romania has dissented from the Soviet line on significant Warsaw Pact and Comecon (Council for Mutual Economic Assistance) issues, and its military participation in the Warsaw Pact is more limited than that of any other country. Also, in 1984, Romania was the only Warsaw Pact country to send a team to the Olympics in Los Angeles. It is also the only Warsaw Pact country to maintain normal diplomatic relations with Israel since 1967.

Administration officials point to other, more subtle, signals of Romania's independence. For example, on the eve of the Geneva summit meeting, Ceausescu supported not only Gorbachev's pre-summit moratorium, but also welcomed "some" of Ronald Reagan's proposals. Romania has also apparently had second thoughts about its participation in a Warsaw Pact program similar to the SDI. In continuing Romania's special relationship with China, in taking a different position on the rift in the Spanish Communist Party, and in U.N. votes, Romania has maintained its established foreign policy. In addition, Romania has refrained from involvement in Soviet-supported ideological campaigns related to the anniversary of the Yalta agreements, V-E Day, and the 15th anniversary of the invasion of Czechoslovakia in 1968.

The MFN trade status enjoyed by Romania since 1975 is significant in economic as well as political terms. The United States is Romania's second largest trading partner after the Soviet Union. Trade between the United States and Romania rose from $738.4 million in 1983 to $1.2 billion in 1984, a record high. In 1985, Romania exported more than 1 billion dollars' worth of goods to the United States, for a 17% growth in trade over 1984.

Bucharest's export strategy in the last few years has given it a favorable balance in this bilateral trade. MFN facilitates the hard currency earnings that are at the heart of this trade strategy. In addition, the Ceausescu regime portrays the granting of United States MFN domestically as a symbol of the regime's legitimacy and acceptability.

The threat of not renewing MFN can have concrete results. In 1983, the Reagan administration successfully used the threat of denying MFN to get Bucharest to revoke a burdensome education tax on emigrants. Bucharest regularly makes political gestures such as relaxing restrictions on emigration in May and June, apparently timed to influence the annual U.S. deliberation of Romanian MFN. This spring, in view of the mounting opposition to Romanian MFN, the political gestures included both an increase in emigration and an amnesty for some prisoners of conscience. MFN will probably continue to provide leverage to influence Romanian policies at the margins.

The use of the MFN carrot to induce concessions on emigration, and to a lesser extent on religious and human rights, is mirrored by the FRG's similar tactics. It has promoted the emigration of

ethnic Germans and worked to promote ethnic German cultural opportunities in Romania by linking these issues with economic commitments and diplomatic ties. Success by the United States and by the FRG is mutually reinforcing.

However, these efforts cannot be expected to effect fundamental changes in many Romanian policies, a feat that Soviet economic leverage has also failed to accomplish. After all, as a Romanian official recently stated, "There is a limit to what we can accept even for Most-Favored-Nation status. We'd lose $200 to $600 million without MFN, but we lost more when the Arabs boycotted the United States in 1967." Nevertheless, even Romanian officials admit the impact of MFN: "If you don't like things now, just take away Most-Favored-Nation status. Whatever you have now, you won't have it then."

The entire party met with the following

PRAGUE, CZECHOSLOVAKIA

American Embassy:

Chargé d'Affaires Carl Schmidt, and Mrs. Rika Schmidt
Mr. Ross Wilson, Control Officer
Dr. Hubert Palen, city tour guide
Mr. William Loskot, Administrative Officer
Ms. Judith Deane, Political Officer
Mr. Rich Appleton, Commercial Attaché, and Mrs. Cleo Appleton
Mr. Randolph Bell, Political Counselor, and Mrs. Karla Bell
Ms. Nancy Mackie, Consul
Mr. Sam Westgate, Assistant Press and Cultural Affairs Officer
TSgt. Michael Kidder
Mr. William Kiehl, Cultural Attaché, U.S. Information Agency
Ms. Karen Van Pelt, General Services Officer
Mr. Don Kosovac, Defense Attaché
Mr. Tony Arias, Vice Consul
Ms. Virginia Morris, Information Systems Officer
Ms. Bitsy Kosovac, Community Liaison Officer

Foreign Ministry:

Deputy Foreign Minister Jaromir Johanes, Ministry of Foreign Affairs
Ing. Rudolf Jakubik, Director, Sixth Department, Ministry of Foreign Affairs

Archbishop's Palace:

Cardinal Frantisek Tomasek

Working Luncheon with Czechoslovak Trade, Economic, and Business Officials:

Mr. Vladimir Novacek, Deputy Minister, Ministry of Foreign Trade

Mr. Josef Keller, Deputy Director General for Trade with Non-Socialist Countries, Ministry of Foreign Trade
Ing. Jiri Koutnik, President, Centrotex, Foreign Trade Enterprise (Textiles), and President of the Czechoslovak side of the U.S.-Czechoslovak Economic Council
Ing. Rudolf Jakubik, Director, Sixth Department (English-speaking Countries), Ministry of Foreign Affairs
Dr. Bohuslav Klein, Director, Legal Department, Czechoslovak Chamber of Commerce and Industry
Mr. Josef Vacl, Department Director, CEDOK Travel Agency
Mr. Michael Senter, Imperial Chemical Industries Representative for Czechoslovakia
Mr. T.M.C. Salmons, Shell Representative for Czechoslovakia

Behounek Spa at Jachymov:

Dr. Hana Hornatova, Director
Miss Hanna Guntherova, Special Assistant to the Director

Tennis Training Center:

Mr. Michael Pollak, Secretary General, Czechoslovak Tennis Federation
Mr. Frantisek Zlesak, National Head Coach for Junior Players, Czechoslovak Tennis Center

Darrell Sawyer—Separate Meetings:

Prof. MUDr. V. Schreiber DrSc., Faculty of Medicine, University Hospital II, Prague
Doc. MUDr. J. Neuwirth CSc., Dep't. of Nursing, Faculty of Medicine, Charles University, Prague
Mr. William Kiehl, Cultural Attaché, U.S. Information Agency, Prague

Carol Hansen—Separate Meetings: Charter 77 Members

Jan Dus
Father Bystrik Cyril Janick
Walter Kania
Pavel Krivka
Josef Romer
Jiri Wolf

BUDAPEST, HUNGARY

American Embassy:

Ambassador and Mrs. Nicolas Salgo
Control Officer Richard Baltimore, and Mrs. Susie Baltimore
Mr. Stephen Wasylko, Commercial Attaché
Mr. Thomas Schlenker, Economic Chief
Mr. Csaba Tibor Chikes, Counselor for Public Affairs

Government Officials:

Janos Kadar, First Secretary, Hungarian Socialist Worker's Party
Mr. Peter Varkonyi, Foreign Minister
Mr. Jozsef Benji, Deputy Foreign Minister

Luncheon with Commerce, Trade, and Business Leaders:

Mr. Peter Lorincze, Secretary General, Chamber of Commerce
Mrs. Zsuzsa Branyik, Manager, IBM
Mrs. Katalin Melis, Manager, Pan American
Mr. Warren Weitzman, Innocence Shoes (sole U.S. resident businessman)
Mr. Tibor Antalpeter, Director, Ministry of Foreign Trade
Mrs. Zsuzsa Rajki, Manager, Dow Chemical
Mr. Gyorgy Pinter, Executive Assistant Manager, Budapest Hilton, Budapest
Mr. Alfred Schonemann, Senior Representative, Hilton International
Mr. Stephen Wasylko, Commercial Attaché, U.S. Embassy

Dinner with Media Leaders:

Mr. Dezso Futasz, Editor-in-Chief, *Tudomany*
Mr. Istvan Kulcsar, Political Commentator, Hungarian Radio
Mr. Endre Gomori, Editor-in-Chief, *Magyarorszag*
Mr. Ervin Reti, Editor-in-Chief, *Esti Hirlap*
Mr. Jozsef Szaszi, Political Commentator, *Magyar Hirlap*

Darrell Sawyer—Separate Meetings:

Dr. Szatmari, Department Head, Ministry of Health
(Wayne Neill, Economic Officer, U.S. Embassy)
Mrs. Gyorgyne Pesti, Head of Social Affairs Department, Hungarian Red Cross
(Tamas Zemplenyi, Political Section interpreter)

Carol Hansen—Separate Meeting:

Miklos Haraszti (writer)
Rabbi Alfred Schoner

BELGRADE, YUGOSLAVIA

American Embassy:

Chargé and Mrs. Presel
Mr. Richard Miles, Control Officer and Political Counselor
Mrs. Sharon Miles, Commerce Officer

Government Officials:

Dr. Mijat Sukovic, President of the Foreign Affairs Committee of the Federal Chamber of the Federal Assembly
Mr. Milos Milosavljevic, Vice-President, Federal Executive Council
Mr. Budimir Loncar, Acting Foreign Minister, Federal Secretariat for Foreign Affairs
Mr. Branko Mikulic, President of the Federal Executive Council

Dubrovnik:

The Honorable Tomislav Milkovic, Mayor of Dubrovnik

Mr. Luko Rndovic, Director, Hotel Belvedere, Dubrovnik

Carol Hansen—Separate Meetings:

Representatives of the Serbian Orthodox Church

Darrell Sawyer—Separate Meetings:

Mr. Branko Djukanovic, Federal Committee on Labor, Health, and Social Welfare

Mr. Vlada Radovanov, Federal Committee on Labor, Health, and Social Welfare

Mr. Petar Bojkovski, Deputy Secretary General, Tourist Association of Yugoslavia

BUCHAREST, ROMANIA

American Embassy:

Ambassador Roger Kirk, and Mrs. Betty Kirk

Deputy Chief of Mission Mr. Henry L. Clarke, and Mrs. Clarke

Mr. Nuel L. Pazdral, Chief, Political Section

Mrs. Pazdral, Administrative Officer

Ms. Mary Witt, Political Section

Mrs. Septilici, Aide

Government Officials:

Mr. Nicolae Ceausescu, President of the Socialist Republic

Dr. Ilie Vaduva, Minister of Foreign Affairs

National Assembly:

Dr. Marin Ivascu, Vice-President, Grand National Assembly (official host)

Mr. Gheorghe Petricu, Counselor for Foreign Affairs, Grand National Assembly

Luncheon with Religious Leaders:

His Beatitude Dr. Justin Moisescu, Patriarch of the Romanian Orthodox Church

The Very Rev. Bishop Vicar Nifon M. Ploiestianul, Secretary for Foreign Relations at the Patriarchate, the Romanian Orthodox Church

Rabbi Dr. Moses and Mrs. Rosen, Chief Rabbi of Romania, President of Romania Jewish Community

Rev. Dr. Ioachim Tunea, Secretary for Foreign Relations, the Romanian Baptist Union

The Most Reverent Bishop Ioan Robu, Apostolic Administrator of the Archdiocese of Bucharest

Aslan Institute:

Dr. Ana Aslan, Director, Institute for Geriatrics and Gerontology

Coffee with Businessmen and Romanian Officials:

Mr. Alexandru Rosu, Minister State Secretary, Ministry of Foreign Trade (MFT)

Mr. Ion Chioveanu, Director for North America, MFT
Mr. Nicolae Eremia, Chairman, Romanian Bank for Foreign Trade
Mrs. Ilya LeKuch, Vice President, WJS/Moody International
Mr. Alexander Koran, Manager, Picker International
Mr. Robert C. Dolan, Vice President and Manager, Manufactures Hanover Trust
Mr. Calin Spiride, Director General, Romanian Control Data
Mr. Gheorghe Nicolaescu, General Electric
Mr. David Bowder, General Electric
Mr. Riulian Mihailescu, Pan American
Mr. Pat O'Connor, O'Connor and Hannon
Mr. Robert Robertson, Vice President, Occidental Petroleum International
Mr. Chet Van Dyne, Overseas Clothes Connection
Mr. Harold Chapler, Cheromi Incorporated
Mr. Eugene Costin, Felton International

Carol Hansen—Separate Meetings: Religious Leaders

His Beatitude Dr. Justin Moisescu, Patriarch of the Orthodox Church
The Very Rev. Bishop Vicar Nifon M. Ploiestianul, Secretary for Foreign Relations at the Patriarchate, the Romanian Orthodox Church
Rabbi Dr. Rosen, Chief Rabbi and President of the Romanian Jewish Community
The Rev. Dr. Ioachim Tunea, Secretary for Foreign Relations, Romanian Baptist Union
The Rev. Mihal Husanu, President of the Romanian Baptist Union
The Rev. Dr. Vasile Talpos, Secretary of the Romanian Baptist Union
Rt. Rev. Dr. Ioan Robu, Bishop of Celle, Apostolic Administrator of the Roman Catholic Archdiocese of Bucharest
Rev. Dr. Nicolae Gheorghita, Pastor, the Second Baptist Church of Oradea
Dr. Ilie Tundrea, Bucharest Baptist Church pastor

Government Officials

Mr. Ion Cumpanasu, President of the Department of Religious Affairs

Activists

Dr. Radu Rosu, Romanian mathematician
Other social, cultural and legal figures

Darrell Sawyer—Separate Meetings: Ministry of Labor

Dr. Vasile Dragatoiu, Deputy Director General of the Department for Social Insurance and Pensions
Mr. (Fnu) Pacuraru, Director, Division for Control and Organization

Health Officials

Dr. Mircea Dumitru, Director, Institute for Geriatrics and Gerontology

Dr. Gheorghe Apostol, Public Relations, Institute for Geriatrics and Gerontology

PARIS, FRANCE

Ambassador and Mrs. Rodgers

Mr. David Hyde, U.S. Embassy

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